WELSPUN MAURITIUS HOLDINGS LTD AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2011

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

CONTENTS

CORPORATE DATA

		Date of appointment
DIRECTORS	: Madhvi Narain	9 June 2008
	Ashvin Rishiraj Aukhjee	9 June 2008
	Devendra Krishna Patil	9 June 2008
	Brijgopal Jaju	10 August 2010

ADMINISTRATOR & SECRETARY : Multiconsult Limited
Rogers House
5, President John Kennedy Street
Port Louis
MAURITIUS

REGISTERED OFFICE : c/o Multiconsult Limited
Rogers House
5, President John Kennedy Street
Port Louis
MAURITIUS

AUDITOR : Aejaz Nazir Associates & Co
18, Dr Auguste Rouget Street
Port Louis
MAURITIUS

BANKERS : Standard Bank (Mauritius) Ltd
6th Floor, Medine Mews Building
Chaussee Street
Port Louis
MAURITIUS

Standard Chartered Bank (Mauritius) Limited
6th Floor, Raffles Tower Cybercity
Ebene
MAURITIUS

COMMENTARY OF THE DIRECTORS

The directors present their commentary, together with the audited financial statements of WELSPUN MAURITIUS HOLDINGS LTD (the "Company") and its subsidiaries (together the "Group") for the year ended 31 March 2011.

PRINCIPAL ACTIVITY

The Company was incorporated on 9 June 2008 and its principal activity is investment holding.

RESULTS AND DIVIDENDS

The results for the year are shown on page 7.

The directors did not recommend the payment of a dividend for the year under review.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of the consolidated financial statements, comprising the consolidated statement of financial position at 31 March 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows statement for the year then ended, and the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The directors have made an assessment of the Group's and the Company's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

AUDITORS

The Auditors, Aejaz Nazir Associates & Co , have expressed their willingness to continue in office and a resolution conerning their re-appointment will be proposed at the Annual Meeting of the shareholders.

multiconsult

SECRETARY'S CERTIFICATE

We certify to the best of our knowledge and belief that we have filed with the Registrar of Companies all such returns as are required of WELSPUN MAURITIUS HOLDINGS LTD (the "Company") under the Mauritius Companies Act 2001 for the year ended 31 March 2011.

for Multiconsult Limited
SECRETARY

Date: 20 May 2011

Multiconsult Limited Rogers House, 5 President John Kennedy St., Port Louis, Mauritius
Tel +230 405 2000 **Fax** +230 212 5265 www.multiconsult.mu
Business Registration Number C09004928
Member of the Cim Group - A Rogers Investment

AUDITORS' REPORT TO THE MEMBERS OF WELSPUN MAURITIUS HOLDINGS LTD AND ITS SUBSIDIARIES

Report on the Financial Statements

We have audited the consolidated financial statements of **WELSPUN MAURITIUS HOLDINGS LTD** (the "Company") and its subsidiaries (together the "Group") on pages 6 to 23 which comprise the Consolidated Statement of Financial Position as at **31 March 2011** and the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements on pages 6 to 23 give a true and fair view of the consolidated financial position of the Group and the Company as at **31 March 2011**, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

AUDITORS' REPORT TO THE MEMBERS OF WELSPUN MAURITIUS HOLDINGS LTD AND ITS SUBSIDIARIES

Other Matters

This report, including the opinion, has been prepared for and only for the Company's members, as a body, in accordance with Section 205 of the Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on other legal and regulatory requirements

Companies Act 2001

We have no relationship with or interests in the Company other than in our capacity as auditors and dealings with the Company in the ordinary course of business.

We have obtained all the information and explanations our have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

AEJAZ NAZIR ASSOCIATES & CO
Chartered Certified Accountants
18 Dr Auguste Rouget Street
Port-Louis, Mauritius

Represented by Aejaz Nazir, FCCA
Partner

Date : 20 May 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

		The Group		The Company	
		2011	2010	2011	2010
	Note	USD	USD	USD	USD
Assets					
Non-current assets					
Investments	5	-	-	14,706,595	-
Property, plant and equipment	6	114,789,835	-	-	-
		114,789,835	-	14,706,595	-
Current assets					
Trade and other receivables	7	45,386,913	-	44,573,717	-
Cash at bank		998,930	1,734	448,884	1,734
Inventories	8	11,234,974	-	-	-
Total current assets		57,620,817	1,734	45,022,601	1,734
Total assets		172,410,652	1,734	59,729,196	1,734
Equity and liabilities					
Capital and reserves					
Share capital	9	15,113,423	2,120	15,113,423	2,120
Capital contribution	10	-	1,567	-	1,567
Translation reserve	11	7,177	-	-	-
(Accumulated losses)/Revenue reserve		(1,150,620)	(1,953)	528,349	(1,953)
Shareholders' interests		13,969,980	1,734	15,641,772	1,734
Non-controlling interest		14,640,568	-	-	-
Non current liabilities					
Borrowings	12	87,263,741	-	44,000,000	-
Employees end of service benefit		357,875	-	-	-
		87,621,616	-	44,000,000	-
Current liabilities					
Trade and other payables	13	56,161,665	-	70,601	-
Current income tax liability	14	16,823	-	16,823	-
Total current liabilities		56,178,488	-	87,424	-
Total equity and liabilities		172,410,652	1,734	59,729,196	1,734

These financial statements have been approved by the Board of Directors on
and signed on its behalf by:

....

Devendra Krishna Patil   Brijgopal Jaju

The notes on pages 10 to 23 form an integral part of these consolidated financial statements.
Independent auditor's report on page 4-5.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2011

		The Group		The Company	
		2011	2010	2011	2010
	Note	USD	USD	USD	USD
Income					
Revenue		43,517,593	-	-	-
Less cost of sales		(36,005,307)	-	-	-
Gross profit		7,512,286	-	-	-
Interest income		3,448	-	803,723	-
Other income		419,017	-	-	-
		7,934,751	-	803,723	-
Expenses					
Secretarial fees		1,188	-	1,188	-
Professional fees		38,846	-	38,846	-
Licence fees		1,185	-	1,185	-
Audit fees		2,000	500	2,000	500
Accounting fees		4,700	775	4,700	775
Tax filing fees		1,500	600	1,500	600
Interest expense		204,910	-	204,910	-
Bank charges		1,719	78	1,719	78
Disbursements		550	-	550	-
General and administrative expenses		11,746	-	-	-
Employee related costs		5,760,342	-	-	-
Repairs and maintenance		470,952	-	-	-
Depreciation		613,577	-	-	-
Utilities		200,703	-	-	-
Other expenses		183,082	-	-	-
Rent expense		252,158	-	-	-
Travelling expense		288,149	-	-	-
Finance charges	15	1,029,287	-	-	-
		9,066,595	1,953	256,598	1,953
Loss before income tax		(1,131,844)	(1,953)	547,125	(1,953)
Income tax expense	16	(16,823)	-	(16,823)	-
Loss for the year		(1,148,667)	(1,953)	530,302	(1,953)
Other comprehensive income:					
Foreign currency translation differences		7,177	-	-	-
Total comprehensive (loss)/income for the year		(1,141,490)	(1,953)	530,302	(1,953)
Loss attributable to:					
Owners of the Company		(574,448)	(1,953)	530,302	(1,953)
Non controlling interest		(574,219)	-	-	-
Loss for the year		(1,148,667)	(1,953)	530,302	(1,953)
Total comprehensive loss attributable to:					
Owners of the Company		(570,859)	-	-	-
Non-controlling interest		(570,631)	-	-	-
		(1,141,490)	-	-	-

The notes on pages 10 to 23 form an integral part of these consolidated financial statements.
Independent auditor's report on page 4-5.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2011

The Group

	Share capital	Capital contribution	Translation reserve	Accumulated losses	Total
	USD			USD	USD
At 1 April 2009	1,000	-	-	-	1,000
Issue of shares	1,120	-	-	-	-
Capital contribution	-	1,567	-	-	1,567
Total comprehensive loss for the year	-	-	-	(1,953)	(1,953)
At 31 March 2010	2,120	1,567	-	(1,953)	614
Issue of shares	15,111,303	-	-	-	15,111,303
Refund of capital contribution		(1,567)	-	-	(1,567)
Loss for the year	-	-	-	(1,148,667)	(1,148,667)
Other comprehensive income:					
Foreign currency translation differences	-	-	7,177	-	7,177
At 31 March 2011	15,113,423	-	7,177	(1,150,620)	13,968,860

The Company

	Share capital	Capital contribution	Translation reserve	(Accumulated deficit)/ Revenue reserve	Total
	USD			USD	USD
At 1 April 2009	1,000	-	-	-	1,000
Issue of shares	1,120	-	-	-	1,120
Capital contribution		1,567	-	-	1,567
Total comprehensive loss for the year	-	-	-	(1,953)	(1,953)
At 31 March 2010	2,120	1,567	-	(1,953)	1,734
Issue of shares	15,111,303	-	-	-	15,111,303
Refund of capital contribution		(1,567)	-	-	(1,567)
Total comprehensive income for the year	-	-	-	530,302	530,302
At 31 March 2011	15,113,423	-	-	528,349	15,641,772

The notes on pages 10 to 23 form an integral part of these consolidated financial statements.
Independent auditor's report on page 4-5.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011

		The Group		The Company	
		2011	2010	2011	2010
	Note	USD	USD	USD	USD
Operating activities					
Cash generated absorbed in operations	15(a)	1,788,076	(953)	(52,118)	(953)
Net cash absorbed in operations		1,788,076	(953)	(52,118)	(953)
Cash flow from investing activities					
Acquisition of property, plant and equipment		(117,066,052)			
Acquisition of investments		-	-	(14,706,595)	-
Net cash used in investing activities		(117,066,052)	-	(14,706,595)	-
Cash flow from financing activities					
Proceeds from issue of shares		29,751,871	1,120	15,111,303	1,120
Loan interest paid		(184,159)		(184,159)	
Loan interest received		47,547		47,547	
Loan granted to subsidiaries		(602,261)		(43,767,261)	
Long term loans		57,174,563	-	44,000,000	-
Loan from related parties		30,089,177	-	-	-
(Refund of Capital contribution)/Capital contribution		(1,567)	1,567	(1,567)	1,567
Net cash from financing activities		116,275,172	2,687	15,205,863	2,687
Net increase in cash and cash equivalents		997,196	1,734	447,150	1,734
Movement in cash and cash equivalents					
At start of year		1,734	-	1,734	-
Net increase in cash and cash equivalents		997,196	1,734	447,150	1,734
At 31 March 2011	15(b)	998,930	1,734	448,884	1,734

The notes on pages 10 to 23 form an integral part of these consolidated financial statements.
Independent auditor's report on page 4-5.

1. GENERAL INFORMATION

WELSPUN MAURITIUS HOLDINGS LTD (the "Company") was incorporated as in Mauritius, under the Companies Act 2001, on 9 June 2008, as a private company with limited liability by shares. The Company's registered office address is c/o Multiconsult Limited, Rogers House, 5 President John Kennedy Street, Port Louis, Mauritius. The principal activity of the Company is to act as an investment holding.

The Company holds a Category 1 Global Business Licence under the Financial Services Act 2007. Since the Company operates in an international environment and conducts most of its transactions in foreign currencies the Company has chosen to retain the United States dollar (USD) as its reporting currency.

The consolidated financial statements of the Company as at and for the year ended 31 March 2011, comprise of the Company and its subsidiaries (together referred to as the "Group").

The following are the subsidiaries of the Company:
1. Welspun Middle East Pipes Company
2. Welspun Middle East Pipes Coating Company
3. Welspun Middle East DMCC

Welspun Middle East Pipes Company is manufacturer of HSAW-Steel Pipes having manufacturing set up in DAMAM-Saudi Arabia.
Welspun Middle East Pipes Coating Company doing coating on pipes manufactured at Saudi Pipe Plant and having manufacturing set up in DAMAM-Saudi Arabia.
Welspun Middle East DMCC is a Marketing Arm formed in Dubai to do/perform marketing activities for Middle East of Welspun Group.

2. BASIS OF PREPARATION

Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis.

Functional and presentation currency

The consolidated financial statements are presented in United States Dollar (USD), which is the Company's and Welspun Middle East DMCC's functional currency. Welspun Middle East Pipes Company and Welspun Middle East Pipes Coating Company primarily operate their business in Saudi Arabian Riyals (SAR) and thus SAR has been determined to be the functional currency of these two subsidiaries.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies set out below have been applied in these consolidated financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates ruling at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to functional currency at the foreign exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair values were determined. Foreign currency differences arising on retranslation are recognized in statement of comprehensive income and reported within foreign exchange gains/(losses), net within results of operating activities. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Foreign currency differences arising on translation are recognised in the profit or loss.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to United States Dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to United States Dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised directly in equity in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to the consolidated income statement as part of the profit or loss on disposal.

(c) Financial instruments

(i) Non-derivative Financial instruments

Non-derivative financial instruments comprise financial assets at fair value through profit and loss investments,trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group and the Company become a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's and the Company's contractual rights to the cash flows from the financial assets expire or if the company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchase and sales of financial assets are accounted for at trade date, i.e., the date that the Group and the Company commit itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's and the Company's obligation specified in the contract expire or are discharged or cancelled.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (continued)

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity.
Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity net of any tax effects.

iv) Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, trade and other receivables are measured at amortized cost using the effective interest method, less any impairment loss.

(iv) Trade and other payables

Trade and other payables are recognised at fair value, net of transaction costs incurred.

(v) Borrowings

Borrowings are recognised initially at fair value, net of transaction cost incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction cost) and the net redemption value is recognised in the income statement over the period of the borrowing using the effective interest noted.

(d) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment are recognised in the statement of comprehensive income. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Impairment (continued)

(i) Financial assets (continued)

An impairment is reversed if the reversal can be related objectively to an event occurring after the impairment was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in income statement. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amounts of the Group's and the Company's non-financial assets, other than inventories, and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. In respect of other assets, impairment recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. Impairment is reversed if there has been a change in the estimates used to determine the recoverable amount. Impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

(e) Revenue recognition

Dividends are recognised when the Group's and the Company's right to receive payment is established.

Bank interest and other interest income are recognised on an accrual basis using the effective interest method.

(f) Expense recognition

Expenses (including management fees and organisation fees) are accounted for in the consolidated statement of comprehensive income on an accrual basis.

(g) Net finance income

Net finance income comprises interest expense, interest income and foreign exchange gains / loss.

(h) Related parties

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the Group and the Company or exercise significant influence over the Group and the Company in making financial and operating decisions or vice versa or where the Group and the Company is subject to common control or common significant influence.

(i) Provisions

A provision is recognised if, as a result of past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

(j) Income tax expense

Income tax on the profit or loss for the year comprises of current and deferred tax. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted at the statement of financial position date.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the statement of financial position date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other operating expenses" / "other income", as the case may be, in profit or loss.

Expenditure incurred during construction period, which are directly attributable to the construction of a project / fixed asset for bringing it to its working condition are included in capital work in progress.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date and the cost of property, plant and equipment not ready to use before such date are disclosed under property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefit embodied in the asset.

The estimated useful lives of assets for the current period are as follows:

	Years
Buildings	20
Machinery and equipment	5-20
Furniture, fixtures and office equipments	3-5
Vehicles	5

(l) Adoption of new accounting standards

The accounting policies adopted are consistent with those of the previous year. The following new and amended IFRS and IFRIC interpretations effective as of 01 January 2010; but not affecting the reported results and financial position:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Adoption of new accounting standards ("Cont")

• IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective 01 January 2010

• IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 01 July 2009 including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39

• IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items effective 01 July 2009

• Improvements to IFRSs (April 2009)

IFRS 2 Share-based Payment (Revised)

The IASB issued an amendment to the IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Company adopted this amendment as of 01 January 2010. It did not have an impact on the financial position or performance of the Company.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Company has concluded that the amendment will have no impact on the financial position or performance of the Company, as the Company has not entered into any such hedges.

(ii) Improvements to IFRSs

In April 2009, the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Company.

Issued in April 2009

IFRS 8 Operating Segments Information: Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

IAS 7 Statement of Cash Flows: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities.

IAS 36 Impairment of Assets: The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes.

Other amendments resulting from improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

- IFRS 2 Share-based Payment
- IAS 1 Presentation of Financial Statements
- IAS 17 Leases
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in accounting policies and disclosures (Continued)

(ii) Improvements to IFRSs (continued)

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 01 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduced a partial exemption of disclosure requirements for government-related entities. The Company does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issue

The amendment to IAS 32 is effective for annual periods beginning on or after 01 February 2010 and changed the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Company after initial application.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the Board's work on the replacement of the IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 01 January 2013. In subsequent phases, the Board will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in mid 2011. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets. However, the Company determined that the effect shall be quantified in conjunction with the other phases when issued to present a comprehensive picture.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 01 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have an impact on the financial statements of the Company.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 01 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at fair value. In case this cannot be reliably measured, they are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Company.

The directors anticipate that the adoption of the above standards on their effective dates will not have any material impact on the financial statements of the Company.

4. TAXATION

Income tax

The Company is incorporated in Mauritius and under current laws and regulations it is liable to pay income tax on its net income at a rate of 15%. The Company is, however, entitled to a tax credit equivalent to the higher of actual foreign tax suffered and 80% of Mauritius tax payable in respect of its foreign source income tax thus reducing its maximum effective tax rate to 3%.

The Company has received a certificate from the Mauritian tax authorities that it is tax resident in Mauritius.

5. INVESTMENTS

(i) The Company

	2011 USD	2010 USD
At 31 March	14,706,595	-

Details of investments are as follows;

Name of company	Country of incorporation	Holdings	2011 USD	2010 USD
Welspun Middle East DMCC	UAE	100%	62,000	-
Welpsun Middle East Pipes Company	UAE	50.01%	10,141,611	-
Welpsun Middle East Pipes Coatings Company	UAE	50.01%	4,502,984	-
			14,706,595	-

(ii) The Group

	2011 USD	2010 USD
At 31 March	-	-

6. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Plant, machinery and equipment	Motor vehicles	Furniture, fixtures and office equipment	Capital work in progress	Total
	2011 USD	2011 USD	2011 USD	2011 USD	2011 USD	2011 USD
<u>Cost:</u>						
Additions	5,063,649	54,458,852	778,464	382,959	56,382,127	117,066,052
Transfers	-	20,273,776	-	-	(20,273,776)	-
As at 31 March 2011	5,063,649	74,732,628	778,464	382,959	36,108,351	117,066,052
<u>Accumulated depreciation:</u>						
Charge for the year	281,477	1,672,999	181,365	140,376	-	2,276,217
As at 31 March 2011	281,477	1,672,999	181,365	140,376	-	2,276,217
Net book value:						
As at 31 March 2011	4,782,172	73,059,629	597,099	242,583	36,108,351	114,789,835

7. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2011	2010	2011	2010
	USD	USD	USD	USD
Trade and other receivables	1,744,259	-	806,456	-
Loan receivables	602,261	-	43,767,261	-
	2,346,520	-	44,573,717	-

Details of Loan receivables are provided in Note 13.

8. INVENTORIES

	The Group		The Company	
	2011	2010	2011	2010
	USD	USD	USD	USD
Raw materials	5,209,131	-	-	-
Finished goods	5,521,530	-	-	-
Parts and consumables	504,313	-	-	-
	11,234,974	-	-	-

9. SHARE CAPITAL

	The Company		The Company	
	2011	2011	2010	2010
	Number	USD	Number	USD
Issued and fully paid:				
Ordinary shares	113,455	113,455	2,120	2,120
Preference shares	14,999,968	14,999,968	-	-
		15,113,423		2,120

10. CAPITAL CONTRIBUTION

	The Group		The Company	
	2011	2011	2011	2010
At 1 April	1,567	-	1,567	-
Additions	-	1,567	-	1,567
Refund of capital contribution	(1,567)	-	(1,567)	-
	-	1,567	-	1,567

11. 'TRANSLATION RESERVE

The Translation reserve comprises all foreign currency differences arising from translation of the financial statements of the subsidiaries.

12. BORROWINGS

	The Group		The Company	
	2011	2010	2011	2010
	USD	USD	USD	USD
Loans from shareholder	43,263,741	-	-	
Loan due to HSBC, Kong Kong	22,000,000	-	22,000,000	
Loan due to Standard Chartered Bank (Mauritius) Limited	22,000,000	-	22,000,000	-
	87,263,741	-	44,000,000	-

12. BORROWINGS (CONTINUED)

The loans from shareholder are loan given by the Company to Welpsun Middle East Pipes Coating Company and Welpsun Middle East Pipes Company carrying interest rate of 5.25%.

The loan given by HSBC, Hong Kong to the Company is at an interest of 0.5% plus the relevant three month libor
The loan given by Standard Chartered Bank (Mauritius) Limited to the Company is at an interest of Libor plus 1.5% per annum and repayable in two years.

13. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011	2010	2011	2010
	USD	USD	USD	USD
Amount due to related parties	52,796,184	-	70,601	-
Accrued expenses	3,365,481	-	-	-
	56,161,665	-	-	-

14. TAXATION

	The Company	
	2011	2010
	USD	USD
Current tax on the adjusted profit for the year at 15%	16,822	-
At year end	16,822	-

The tax on the Company's profit before taxation differs from the theoretical amount that would arise using the basic tax rate of the Company as follows :

	The Company	
	2011	2010
	USD	USD
Profit before taxation	547,125	(1,953)
Less exempt income	(3,448)	-
	543,677	-
Add non allowable expenses	19,024	-
	562,701	-
Tax loss b/f	(1,953)	-
	560,748	-
Tax calculated at a rate of 15%	84,112	(293)
Foreign tax credit (80%)	(67,290)	234
Income tax expense / (Deferred tax asset)	16,822	(59)

The Company holds a Category 1 Global Business licence for the purpose of the Financial Services Act 2007 and qualifies as a Tax Incentive Company under the Income Tax Act 1995. The profit of the company, as adjusted for tax purposes, is subject to tax at 15%.

The Company is however entitled to a tax credit equivalent to the higher of the foreign taxes paid and 80% of the Mauritius tax on its foreign source income.

15. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) **Cash generated from operations**

	The Group		The Company	
	2011	2010	2011	2010
	USD	USD	USD	USD
Profit before taxation	(1,148,666)	(1,953)	530,302	(1,953)
Changes in working capital:				
Translation adjustment	7,177	-	-	-
Tax liability	16,822		16,822	
Interest expense	204,910	-	204,910	-
Interst receivable	(803,723)	-	(803,723)	-
Increase in receivables	(6,180)	-	(6,180)	-
Increase in payables	5,750	-	5,750	-
Depreciation	2,276,217	1,000	-	1,000
Employees end	357,875	-	-	-
Finance income	1,828,947	-	-	-
Due from related parties	(43,177,222)	-	-	-
Prepayments and other current assets	(937,804)	-	-	-
Inventories	(11,234,974)	-	-	-
Trade and other payables	1,699,815	-	-	-
Due to related parties	51,233,199	-	-	-
Accrued expenses and other liabilities	1,679,486	-	-	-
Expenses paid	(213,553)	-	-	-
Cash absorbed in operations	1,788,076	(953)	(52,118)	(953)

(b) **Bank balance**

	The Group		The Company	
	2011	2010	2011	2010
	USD	USD	USD	USD
Cash at bank	998,930	1,734	448,884	1,734

16. FINANCIAL INSTRUMENTS

Fair values

Investments are valued as described in note 3.

The Group's and the Company's financial assets and liabilities include financial assets at fair value through profit or loss, trade and other receivables, cash and cash equivalents and trade and other payables, which are realised or settled within a short-term period. The carrying amounts of these assets and liabilities approximate their fair values.

Financial risk management

Overview

This note represents information about the Group's and the Company's exposure to each of the following risks, the Group's and the Company's objectives, policies and processes for measuring and managing risk and the Group's and the Company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's and the Company's risk management framework.

16. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Credit risk

The Group and the Company take no exposure to credit risk, which is the is risk that a counterparty will be unable to pay amounts in full when due. Financial assets which potentially subject to the Group and the Company to concentrations of credit risk consist principally of bank balances. These assets are held in a number of reputable financial institutions. Accordingly, the Group and the Company has no significant concentration of credit risk.

The Group's and the Company's exposure to credit risk are limited to the carrying amount of financial assets recognised at the statement of financial position date, as summarised below:

	The Group		The Company	
	2011	2010	2011	2010
ASSETS	USD	USD	USD	USD
Cash and cash equivalents	998,930	1,734	448,884	1,734
Receivables	2,346,520	1,000	44,573,717	1,000
	3,345,450	2,734	45,022,600	2,734

Liquidity risk

This refers to availability of funds for the Group and the Company to meet its financial obligations as they fall due. The Group and the Company pay out its obligations from finance received from its related company.

The maturity profile of the Group's and the Company's financial liabilities based on contractual cash flows is summarised as follows. The contractual cash flows approximate the carrying amounts.

The Group	2011		2010	
Non-derivative financial liabilities	Carrying amount	Less than 1 year	Carrying amount	Less than 1 year
	USD	USD	USD	USD
Payables	56,161,665	56,161,665	-	-
Tax liability	16,823	16,823	-	-
At 31 March	56,178,488	56,178,488	-	-

The Company	2011		2010	
Non-derivative financial liabilities	Carrying amount	Less than 1 year	Carrying amount	Less than 1 year
	USD	USD	USD	USD
Payables	56,161,665	56,161,665	-	-
Tax liability	16,823	16,823		
Accured expenses	3,294,880	3,294,880		
Amount due to related party	52,796,184	52,796,184	-	-
At 31 March	108,957,849	108,957,849	-	-

Market risk

Market risk represents the potential loss that can be caused by a change in the market value of financial instruments. The Company's exposure to market risk is determined by a number of factors, including interest rates, foreign currency exchange rates and market volatility. The Company conduct their investment operations in a manner that seeks to exploit the potential gains in the market, while limiting its exposure to market declines.

16. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

Interest rate risk

The Group's and the Company's financial assets and liabilities are non-interest bearing with the exception of cash and cash equivalents. However, since these are kept at a minimum level there is no significant interest rate risk due to fluctuations in the prevailing levels of market interest rates.

Capital Management

The Company's primary objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern.

The Group and the Company define "capital" as including all components of equity. The amount of capital employed at 31 March 2011 was USD . The Group's and the Company's capital structure are regularly reviewed and managed with due regard to the capital management practices of the Group and the Company. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Group and the Company, to the extent that these do not conflict with the directors' fiduciary duties towards the Group and the Company or the requirements of local regulation.

The Group and the Company were not subject to externally imposed capital requirements in the period under review.

17. RELATED PARTY TRANSACTIONS

During the year ended 31 March 2011, the Group and the Company transacted with related party. The nature, volume and type of transactions with the party were as follows:

Group and Company

Name of company	**Nature of Relationship**	**Nature of transactions**	**Year ended 31-Mar-11 USD**
Welspun Middle East Pipe Company LLC	Subsidiary company	Loan Receivable	30,018,750
Welspun Middle East Pipe Company LLC	Subsidiary company	Interest receivable	557,061
Welspun Middle East Pipe Coatings LLC	Subsidiary company	Loan Receivable	13,106,250
Welspun Middle East Pipe Coatings LLC	Subsidiary company	Interest receivable	243,214

All related party transactions were carried out on an arm's length basis.

17. RELATED PARTY TRANSACTIONS (CONTINUED)

Group and Company

Name of company	Nature of Relationship	Nature of transactions	year ended 31-Mar-11 USD
Transaction during the period:			
Aziz European Pipe Factory LLC	Related entity	Loan Receivable	602,261
Welspun Middle East DMCC	Subsidiary company	Loan Receivable	40,000

18. REPORTING CURRENCY

The consolidated financial statements are presented in United States Dollars. The Company holds a Category 1 Global Business Licence under the Financial Services Act 2007, which requires that the Company's business or other activity to be carried on in a currency other than the Mauritian Rupee.

19. CONSOLIDATED FINANCIAL STATEMENTS

The Company holds 100% of the shares Welspun Middle East DMCC, a company registered in United Arab Emirates, 50.01 % shares of Welspun Middle East Pipes Company and of Welspun Middle East Pipes Coating Company, two companies incorporated in Saudi Arabia. These are consolidated financial statements of the Company and its subsidiary companies which have been prepared as required by International Accounting Standards (IAS) 27.