

INTERNATIONAL SHIPPING AND LOGISTICS FZE

**Financial statements and independent auditor's report
Year ended 31 March 2016**

INTERNATIONAL SHIPPING AND LOGISTICS FZE

Financial statements and independent auditor's report
Year ended 31 March 2016

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INDEPENDENT AUDITOR'S REPORT

The Shareholder INTERNATIONAL SHIPPING AND LOGISTICS FZE

Report on the Financial Statements

We have audited the accompanying financial statements of **INTERNATIONAL SHIPPING AND LOGISTICS FZE** ("the establishment"), which comprise the Balance Sheet as at 31 March 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 9 to 26.

Management's Responsibility for the Financial Statements

The establishment's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the establishment in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the establishment and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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INDEPENDENT AUDITOR'S REPORT

(continued)

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 judgment, 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 financial control relevant to the establishment's preparation of the financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the establishment has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by establishment's directors, 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 on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the establishment as at 31 March 2016, and its loss and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure A, statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143(3) of the Act, we report that:
 - a. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, proper books of account as required by law have been kept by the establishment so far as it appears from our examination of those books;
 - c. the Balance Sheet, and the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

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INDEPENDENT AUDITOR'S REPORT

(continued)

- d. in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- e. on the basis of the written representations received from the directors as on 31 March 2016, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016, from being appointed as a director in terms of Section 164(2) of the Act;
- f. with respect to the adequacy of the internal financial controls over financial reporting of the establishment and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and
- g. with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. the establishment did not have any pending litigations;
 - ii. the establishment did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
 - iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the establishment.

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Dubai

United Arab Emirates

16 April 2016

Annexure – A to the Independent Auditor’s Report

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) (a) The establishment has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The establishment has a regular programme of physical verification of fixed assets which, in our opinion, is reasonable having regard to the size of the establishment and the nature of its assets. No material discrepancies were noticed on verification.
- (c) According to the information and explanations given to us and on the basis of our examination of the records of the establishment, the title deeds of immovable properties are held in the name of the establishment.
- (ii) The establishment has no inventory. Accordingly, clauses 3(ii) (a), (b) and (c) of the Companies (Auditor’s Report) Order, 2015 are not applicable to the establishment.
- (iii) According to the books and records maintained by the establishment and the information and explanations given to us, the establishment has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties listed under Section 189 of the Companies Act, 2013.
- (iv) In our opinion and according to the information and explanations given to us, the Establishment has complied with the provisions of section 185 and 186 of the Act, with respect to the loans and investments made.
- (v) In our opinion and according to the information and explanations given to us, the establishment has not accepted any deposits from the public.
- (vi) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under sub-section (1) of section 148 of the Companies Act, for the services of the establishment.
- (vii) (a) The establishment is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees’ state insurance, income-tax, sales-tax, wealth-tax, service-tax, customs duty, excise duty, cess and other material statutory dues applicable to it.

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Annexure – A to the Independent Auditor’s Report

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (b) According to the records of the establishment, the dues outstanding of income-tax, sales-tax, wealth-tax, service-tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (US\$)	Period to which the amount relate	Forum where dispute is pending
The Income Tax Act, 1961	Additional tax demand	2,564	2009-10	Income Tax Officer (Kolkata)
The Income Tax Act, 1961	Additional tax demand	1,370	2010-11	Income Tax Officer (Kolkata)

- (c) There were no amounts which were required to be transferred to the Investor Education and Protection Fund in accordance with the relevant provisions of the Companies Act 1956 (1 of 1956) and rules made there under.
- (viii) The establishment does not have any dues towards financial institution, bank or debenture holders.
- (ix) According to the information and explanations given to us, the establishment has not raised any money by way of initial public offer and term loans during the year under audit.
- (x) According to the information and explanations given to us, no fraud on or by the establishment has been noticed or reported during the course of our audit.
- (xi) According to the information and explanations give to us and based on our examination of the records of the establishment, the establishment has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- (xii) In our opinion and according to the information and explanations given to us, the establishment is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the establishment, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

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Annexure – A to the Independent Auditor's Report

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (xiv) According to the information and explanations give to us and based on our examination of the records of the establishment, the establishment has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- (xv) According to the information and explanations given to us and based on our examination of the records of the establishment, the establishment has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) The establishment is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

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Dubai
United Arab Emirates
16 April 2016

**Annexure - B to the Independent Auditors' Report
Report on the Internal Financial Controls under Clause (i) of Sub-section 3
of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of **INTERNATIONAL SHIPPING AND LOGISTICS FZE** ("the establishment") as of 31 March 2016 in conjunction with our audit of the standalone financial statements of the establishment for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The establishment's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Establishment considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to establishment's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the establishment's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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**Annexure - B to the Independent Auditors' Report
Report on the Internal Financial Controls under Clause (i) of Sub-section 3
of Section 143 of the Companies Act, 2013 ("the Act")**

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the establishment's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

An establishment's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. An establishment's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the establishment; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the establishment are being made only in accordance with authorisations of management and directors of the establishment; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the establishment's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the establishment has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the establishment considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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United Arab Emirates

16 April 2016

INTERNATIONAL SHIPPING AND LOGISTICS FZE

BALANCE SHEET AS AT 31 MARCH 2016

	Note	2016 US\$	2015 US\$
I. EQUITY AND LIABILITIES			
(1) Shareholder's funds			
(a) Share capital	3	273,748	273,748
(b) Reserves and surplus		<u>31,043,230</u>	<u>32,768,942</u>
		<u>31,316,978</u>	<u>33,042,690</u>
(2) Non-current liabilities			
Long-term provisions	4	<u>344,024</u>	<u>442,381</u>
(3) Current liabilities			
(a) Trade payables	6	770,847	1,323,939
(b) Other current liabilities	7	1,969,413	1,034,889
(c) Short-term provisions	8	4,320	3,789
		<u>2,744,580</u>	<u>2,362,617</u>
TOTAL EQUITY AND LIABILITIES		<u><u>34,405,582</u></u>	<u><u>35,847,688</u></u>
II. ASSETS			
(1) Non-current assets			
(a) Fixed assets			
Tangible assets	9	907,578	979,462
Intangible assets	10	44,073	71,278
(b) Investment in associate	11	3,462,636	3,462,636
(c) Other non-current assets	12	8,435,944	8,949,704
		<u>12,850,231</u>	<u>13,463,080</u>
(2) Current assets			
(a) Trade receivables	13	1,069,776	3,516,282
(b) Cash and cash equivalents	14	17,772,299	16,751,373
(c) Short-term loans and advances	16	451,128	1,313,890
(d) Other current assets	17	2,262,148	803,063
		<u>21,555,351</u>	<u>22,384,608</u>
TOTAL ASSETS		<u><u>34,405,582</u></u>	<u><u>35,847,688</u></u>

The accompanying notes form an integral part of these financial statements.
The report of the independent auditor is set forth on pages 1 to 5.

We confirm that we are responsible for these financial statements, including selecting the accounting policies and making the judgments underlying them. We confirm that we have made available all relevant accounting records and information for their compilation.

Authorised for issue by the Board of Directors on 16 April 2016.

For **INTERNATIONAL SHIPPING AND LOGISTICS FZE**


SOUMYA RANJAN PATNAIK
CEO & DIRECTOR

INTERNATIONAL SHIPPING AND LOGISTICS FZE

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 US\$	2015 US\$
I. REVENUE			
Revenue	18	33,158,658	66,132,150
Other income	19	654,044	821,247
TOTAL REVENUE		<u>33,812,702</u>	<u>66,953,397</u>
II. EXPENSES			
Direct costs	20	31,590,311	64,753,298
Employee benefit expenses	21	1,043,771	1,298,540
Depreciation and amortisation expenses	22	123,808	137,685
Other expenses	23	2,742,861	1,184,772
TOTAL EXPENSES		<u>35,500,751</u>	<u>67,374,295</u>
III. Loss before tax	(I - II)	(1,688,049)	(420,898)
IV. Tax expense		37,663	103,768
V. Loss for the year	(III - IV)	(1,725,712)	(524,666)
VI. Earning per equity share:			
Basic		<u>(1,725,712)</u>	<u>(524,666)</u>

The accompanying notes form an integral part of these financial statements.

The report of the independent auditor is set forth on pages 1 to 5.

INTERNATIONAL SHIPPING AND LOGISTICS FZE

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

	Share capital US\$	Reserves and surplus US\$	Total US\$
Balance at 1 April 2014	273,748	33,293,608	33,567,356
Loss for the year	--	(524,666)	(524,666)
Balance at 31 March 2015	273,748	32,768,942	33,042,690
Loss for the year	--	(1,725,712)	(1,725,712)
Balance at 31 March 2016	273,748	31,043,230	31,316,978

The accompanying notes form an integral part of these financial statements.
The report of the independent auditor is set forth on pages 1 to 5.

INTERNATIONAL SHIPPING AND LOGISTICS FZE

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

	2016 US\$	2015 US\$
Cash flows from operating activities		
Loss for the year before tax	(1,688,049)	(420,898)
Adjustments for:		
Depreciation on tangible assets	96,603	112,626
Amortisation of intangible assets	27,205	25,059
Provision for bad and doubtful debts	2,260,301	561,798
Unrealised exchange loss	--	31,250
Credit balances written back	--	(288,484)
Excess provision no longer required written back	(141,795)	--
Profit/(loss) on disposal of tangible assets (net)	(6,241)	275
Interest income	(491,938)	(524,705)
Operating profit/(loss) before changes in operating assets and liabilities	56,086	(503,079)
Decrease in trade receivables	186,205	3,147,358
Decrease in short-term loans and advances	862,762	270,953
Decrease/(increase) in other non-current assets	4,653	(2,259)
(Increase)/decrease in other current assets	(857,078)	2,326,875
Decrease in trade payables	(411,297)	(3,284,270)
Decrease in long-term provisions	(98,357)	(240,824)
Increase/(decrease) in other current liabilities	934,524	(2,309,141)
Increase in short-term provisions (net)	531	162,814
Cash from/(used in) operations	678,029	(431,573)
Taxes paid	(37,663)	(103,768)
Net cash from/(used in) operating activities	640,366	(535,341)
Cash flows from investing activities		
Payment for tangible assets	(24,719)	(12,846)
Payment for intangible assets	--	(13,441)
Payment for additional investments in associate	--	(1,462,636)
Proceeds from disposal of tangible assets	6,241	958
(Increase)/decrease in fixed deposits (net)	(2,618,512)	1,348,797
Interest received	182,063	418,486
Net cash (used in)/from investing activities	(2,454,927)	279,318
Net decrease in cash and cash equivalents	(1,814,561)	(256,023)
Cash and cash equivalents at beginning of year	3,847,421	4,103,444
Cash and cash equivalents at end of year (note 14)	2,032,860	3,847,421

Note:

The above Cash Flow statement has been prepared under the indirect method as set out in Accounting Standard 3 (AS 3) 'Cash Flow Statements' as specified in Companies (Accounting Standards) Rules, 2006.

The accompanying notes form an integral part of these financial statements.
The report of the independent auditor is set forth on pages 1 to 5.

INTERNATIONAL SHIPPING AND LOGISTICS FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1. LEGAL STATUS AND BUSINESS ACTIVITY

- a) **INTERNATIONAL SHIPPING AND LOGISTICS FZE (the "establishment")** was incorporated on 1 February 2004 in the Jebel Ali Free Zone pursuant to Law No. 9 of 1992 of late H.H. Sheikh Maktoum Bin Rashid Al Maktoum, the former Ruler of Dubai. The establishment is a wholly owned subsidiary of T.M. International Logistics Limited, India (the "parent"), which is a joint venture between Tata Steel Limited, India, IQ Martrade Holding and Management GmbH, Dusseldorf, Germany and NYK Holding (Europe) B.V. Netherland. Prior to this, the parent company was a joint venture between Tata Steel Limited, India and IQ Martrade Holding and Management GmbH, Dusseldorf, Germany. The registered office is located at P.O. Box 18490, Dubai, UAE.
- b) The establishment's principal activity is chartering of vessels and transporting marine cargo on behalf of its customers.
- c) In the year 2011, the establishment has registered a branch in Dubai Multi Commodity Centre Authority (DMCC), which operates under the name "International Shipping and Logistics FZE". These financial statements include the assets, liabilities and operating results of the branch.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention on accrual basis and are in compliance with the Accounting Standards notified under section 133 of the Companies Act, 2013 ("the Act"), read with Rule 7 of the Companies (Accounts) Rules, 2014. The significant accounting policies adopted are as follows:

a) **Presentation currency**

Although the currency of country of domicile is UAE Dirham, these financial statements are presented in US\$, which is considered to be the functional currency of the establishment.

b) **Tangible assets**

Tangible assets are stated at cost less accumulated depreciation and impairment losses. The cost is depreciated over their estimated useful lives using the straight-line method applying the following rates, which are specified in the Companies Act, 2013 of India or based on estimated useful life whichever is higher. The details of estimated life for each category of assets are as under:

Type of asset	Estimated life
Freehold buildings	30 years
Furniture and fixtures	5 years
Office equipment	5 years
Computers	4 years
Vehicles	5 years

c) **Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and impairment losses. The amount in respect of accounting software is amortised over a period of 4 years.

INTERNATIONAL SHIPPING AND LOGISTICS FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

d) **Investment in associate**

Investment in associate is accounted at cost less provision, if any, for permanent diminution in the value of such investments in the separate financial statements of the investor as per Accounting Standard (AS) 13, 'Accounting for Investments'.

e) **Staff end-of-service gratuity**

The establishment provides gratuity and leave encashment benefits to its employees. Gratuity and leave encashment liabilities are not funded. The present value of these defined benefit obligations are ascertained by an independent actuarial valuation as per the requirement of Accounting Standards 15 (Revised) - Employee Benefits. The liability recognised in the balance sheet is the present value of the defined benefit obligations on the Balance Sheet date, together with adjustments for unrecognised past service costs. All actuarial gains and losses are recognised in the Statement of Profit and Loss in full in the period in which they occur.

f) **Revenue**

Time charter

Revenue under time charter is recognised based on the terms of the time charter agreement.

Voyage charter

Revenue and expenses relating to incomplete voyages are carried forward as voyage in progress and profits are recognised on completion of the voyages. Losses on contracts are assessed on an individual basis and provision is made for the full amount of the anticipated losses.

Demurrage income

Demurrage income, which is included in time/voyage chartering, represents payments by the customers to the establishment when loading or discharging time exceeds the stipulated time in the time/voyage charter, and is recognised when services have been performed and there exists no significant uncertainty as to its measurability and collectability.

Income from jointly controlled operations

Income from jointly controlled operations represents the net income from jointly controlled coastal container services and limestone and other dry cargoes as per the agreement entered with the co-venturers. Share of expenses are accounted separately. Losses on contracts are assessed on an individual basis and provision is made for the full amount of the anticipated losses. These revenues under profit/(loss) sharing arrangement, being jointly controlled operations, are recognised on the same basis as similar contracts independently executed by the establishment.

g) **Voyages-in-progress/Income received in advance**

Expenses relating to incomplete voyages are carried forward as voyages-in-progress. Revenue relating to voyages-in-progress is carried forward in the balance sheet as income received in advance.

INTERNATIONAL SHIPPING AND LOGISTICS FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

h) **Foreign currency transactions**

Transactions in foreign currencies are translated into US\$ at the rate of exchange ruling on the date of the transactions.

Monetary assets and liabilities expressed in foreign currencies are translated into US\$ at the rate of exchange ruling at the reporting date.

Gains or losses resulting from foreign currency transactions are taken to the Statement of Profit and Loss.

i) **Provision**

Provision is recognised when the establishment has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

j) **Taxes on income**

Income tax is calculated on the taxable income for the period as applicable in respect of income from jointly controlled operations determined in accordance with the provision of the Indian Income Tax Act, 1961.

k) **Financial instruments**

Financial assets and financial liabilities are recognised when, and only when, the establishment becomes a party to the contractual provisions of the instrument.

Financial assets are de-recognised when, and only when, the contractual rights to receive cash flows expire or when substantially all the risks and rewards of ownership have been transferred.

Financial liabilities are de-recognised when, and only when, they are extinguished, cancelled or expired.

Current and non-current financial assets that have fixed or determinable payments and for which there is no active market, which comprise trade and other receivables, short-term loans and other current and non-current assets are classified as loans and receivables and stated at cost or, if the impact is material, at amortised cost using the effective interest method, less any write down for impairment losses plus reversals of impairment losses. Impairment losses and reversals thereof are recognised in the Statement of Profit and Loss.

Current financial liabilities, which comprise trade payables, short-term provisions and other current liabilities are measured at cost or, if the impact is material, at amortised cost using the effective interest method.

INTERNATIONAL SHIPPING AND LOGISTICS FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

l) **Significant judgments and key assumptions**

The significant judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

Impairment

At each reporting date, management conducts an assessment of tangible assets, intangible assets and all financial assets to determine whether there are any indications that they may be impaired. In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and, if this is below its carrying amount, a provision is made. In the case of loans and receivables, if an amount is deemed irrecoverable, it is written off to the Statement of Profit and Loss or, if previously a provision was made, it is written off against the provision. Reversals of provisions against loans and receivables are made to the extent of the related amount being recovered.

Key assumptions made concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

Carrying values of property, plant and equipment

Residual values are assumed to be zero unless a reliable estimate of the current value can be obtained for similar assets of ages and conditions that are reasonably expected to exist at the end of the assets' estimated useful lives.

Doubtful debt provisions

Management regularly undertakes a review of the amounts of receivables owed to the establishment either from third parties (refer note 13) or from related parties (refer note 15) and assesses the likelihood of non-recovery. Such assessment is based upon the age of the debts, historic recovery rates and assessed creditworthiness of the debtor. Based on the assessment assumptions are made as to the level of provisioning required.

Impairment

Assessments of net recoverable amounts of tangible assets, intangible assets and all financial assets other than receivables (see above) are based on assumptions regarding future cash flows expected to be received from the related assets.

	2016	2015
	US\$	US\$
3. SHARE CAPITAL		
Issued and paid up:		
1 share of AED 1,000,000		
(translated to US\$ at the fixed exchange rate of AED 3.653 = US\$ 1.00)	273,748	273,748

INTERNATIONAL SHIPPING AND LOGISTICS FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

	2016 US\$	2015 US\$
4. LONG-TERM PROVISIONS		
Provision for employee benefits		
Post retirement benefits	273,474	240,428
Other long-term employee benefits	70,550	201,953
	<u>344,024</u>	<u>442,381</u>
5. POST-RETIREMENT BENEFITS		
The establishment operates post retirement defined benefit plans as follows:		
Unfunded		
Post-Retirement Gratuity		
Details of the gratuity plan are as follows:		
1. Reconciliation of opening and closing balances of obligation		
a. Opening obligation	243,909	214,345
b. Current service cost	46,811	54,613
c. Interest cost	10,676	9,639
d. Actuarial (gain)/loss	(15,066)	8,449
e. Benefits paid	(8,750)	(43,137)
f. Closing obligation	<u>277,580</u>	<u>243,909</u>
2. Expense recognised during the year		
a. Current service cost	46,811	54,613
b. Interest cost	10,676	9,639
c. Expected return on plan assets	--	--
d. Actuarial (gain)/loss	(15,066)	8,449
e. Expense recognised in the year	<u>42,421</u>	<u>72,701</u>
3. Assumptions		
a. Discount rate	5.00%	4.50%
b. Rate of escalation in salary (per annum)	<u>5.00%</u>	<u>5.00%</u>
4. Information for current and previous financial year		
a. Present value of defined benefit obligation	(277,580)	(243,909)
b. Plan Assets at the end of the year	NA	NA
c. Funded status	(277,580)	(243,909)
d. Experience (loss)/gain adjustment on plan liabilities	(3,549)	7,428
e. Experience gain/(loss) adjustment on plan assets	NA	NA
f. Actuarial gain/(loss) due to change on assumptions	<u>18,614</u>	<u>(15,877)</u>

INTERNATIONAL SHIPPING AND LOGISTICS FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

	2016 US\$	2015 US\$				
6. TRADE PAYABLES						
Creditors for services	284,712	423,895				
Creditors for expenses	187,791	378,861				
Provision for operating expenses	298,344	521,183				
	<u>770,847</u>	<u>1,323,939</u>				
7. OTHER CURRENT LIABILITIES						
Income received in advance	1,924,768	881,827				
Accruals	44,645	153,062				
	<u>1,969,413</u>	<u>1,034,889</u>				
8. SHORT-TERM PROVISIONS						
Provision for employee benefits:						
Post retirement benefits	4,106	3,481				
Other short-term employee benefits	214	308				
	<u>4,320</u>	<u>3,789</u>				
9. TANGIBLE ASSETS						
	Freehold buildings	Furniture and fixtures	Office equipment	Computers	Vehicles	Total
	US\$	US\$	US\$	US\$	US\$	US\$
Cost						
At 1 April 2014	957,239	218,769	71,208	76,891	110,182	1,434,289
Additions	--	2,187	9,099	1,560	--	12,846
Disposals	--	--	(5,802)	--	--	(5,802)
At 31 March 2015	<u>957,239</u>	<u>220,956</u>	<u>74,505</u>	<u>78,451</u>	<u>110,182</u>	<u>1,441,333</u>
Additions	--	821	657	--	23,241	24,719
Disposals	--	(16,504)	--	--	(18,191)	(34,695)
At 31 March 2016	<u>957,239</u>	<u>205,273</u>	<u>75,162</u>	<u>78,451</u>	<u>115,232</u>	<u>1,431,357</u>
Accumulated depreciation and impairment losses						
At 1 April 2014	85,169	106,251	42,439	57,128	62,827	353,814
Depreciation	31,877	38,426	9,678	13,788	18,857	112,626
Adjustment for disposals	--	--	(4,569)	--	--	(4,569)
At 31 March 2015	<u>117,046</u>	<u>144,677</u>	<u>47,548</u>	<u>70,916</u>	<u>81,684</u>	<u>461,871</u>
Depreciation	31,963	36,041	9,345	3,745	15,509	96,603
Adjustment for disposals	--	(16,504)	--	--	(18,191)	(34,695)
At 31 March 2016	<u>149,009</u>	<u>164,214</u>	<u>56,893</u>	<u>74,661</u>	<u>79,002</u>	<u>523,779</u>
Carrying amount						
At 1 April 2014	872,070	112,518	28,769	19,763	47,355	1,080,475
At 31 March 2015	<u>840,193</u>	<u>76,279</u>	<u>26,957</u>	<u>7,535</u>	<u>28,498</u>	<u>979,462</u>
At 31 March 2016	<u>808,230</u>	<u>41,059</u>	<u>18,269</u>	<u>3,790</u>	<u>36,230</u>	<u>907,578</u>

INTERNATIONAL SHIPPING AND LOGISTICS FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

10. INTANGIBLE ASSETS

	Capital work-in- progress US\$	Software US\$	Total US\$
Cost			
At 1 April 2014	11,559	83,522	95,081
Additions	13,441	--	13,441
Transfers	(25,000)	25,000	--
At 31 March 2015 and at 31 March 2016	<u>--</u>	<u>108,522</u>	<u>108,522</u>
Accumulated amortisation			
At 1 April 2014	--	12,185	12,185
Amortisation	--	25,059	25,059
At 31 March 2015	--	37,244	37,244
Amortisation	--	27,205	27,205
At 31 March 2016	<u>--</u>	<u>64,449</u>	<u>64,449</u>
Carrying amount			
At 1 April 2014	<u>11,559</u>	<u>71,337</u>	<u>82,896</u>
At 31 March 2015	<u>--</u>	<u>71,278</u>	<u>71,278</u>
At 31 March 2016	<u>--</u>	<u>44,073</u>	<u>44,073</u>
		2016 US\$	2015 US\$

11. INVESTMENT IN ASSOCIATE

Investment in 14,893,334 unquoted shares of TM Harbour Services Private Limited (a company registered in the State of West Bengal, India), and representing 25.82% in the share capital ^(a)

3,462,636	3,462,636
------------------	------------------

- (a) The investee company was incorporated on 2 September 2009 and the establishment became the associate of the investee company on 18 June 2010. Further, on 5 December 2014, the establishment has made an additional investment in 5,957,334 shares at INR 15 per share in the same ratio of its shareholding.

Investment in associate is accounted at cost less provision, if any, for permanent diminution in the value of such investments in the separate financial statements of the investor as per Accounting Standard (AS) 13, 'Accounting for Investments'.

12. OTHER NON-CURRENT ASSETS

Employee security deposits ^(a)	35,962	40,068
Other deposits	10,666	11,213
Bank deposits more than 12 months maturity	8,331,691	8,548,666
Interest accrued on fixed deposits	57,625	349,757
	<u>8,435,944</u>	<u>8,949,704</u>

- (a) These deposits are held with Jebel Ali Free Zone Authority.

INTERNATIONAL SHIPPING AND LOGISTICS FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

	2016 US\$	2015 US\$
13. TRADE RECEIVABLES		
Current trade receivables:		
Less than six months	1,001,731	1,104,499
More than six months	4,621,370	4,704,807
Gross current trade receivables	<u>5,623,101</u>	<u>5,809,306</u>
Less: Provision for bad and doubtful debts	<u>(4,553,325)</u>	<u>(2,293,024)</u>
	<u>1,069,776</u>	<u>3,516,282</u>
Classification of current trade receivables:		
Unsecured, considered good	1,069,776	3,516,282
Doubtful	4,553,325	2,293,024
Total current trade receivables	<u>5,623,101</u>	<u>5,809,306</u>
14. CASH AND CASH EQUIVALENTS		
Cash on hand	2,977	1,665
Balances with banks: In current accounts	1,029,883	1,345,756
Bank deposit less than 3 months maturity	1,000,000	2,500,000
Cash and cash equivalents as per cash flow statement	<u>2,032,860</u>	<u>3,847,421</u>
Bank deposits (with 3-12 months maturity)	15,739,439	12,903,952
	<u>17,772,299</u>	<u>16,751,373</u>

15. RELATED PARTIES

The establishment enters into transactions with entities that fall within the definition of a related party as contained in Indian Accounting Standard 18. The management considers such transactions to be in the normal course of business.

Related parties with whom transactions were entered and balances appeared comprise the parent company, the ultimate parent company, joint ventures of the parent company, directors, companies under common ownership/management control, associate, fellow subsidiaries and key management personnel.

Parent company	TM International Logistics Limited, India
Ultimate parent company	Tata Steel Limited, India
Directors	Mr. R.N. Murthy (Chairman) Mr. Guenther Hahn Mr. Dipak Banerjee Mr. Jayant Chakraborty Mr. Sabyasachi Hajara Capt. S.R. Patnaik

INTERNATIONAL SHIPPING AND LOGISTICS FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Companies under common ownership/management control	Martrade Gulf Logistics FZC, Dubai Martrade Shipping & Logistics GmbH, Germany Tata Steel Asia (Hongkong) Limited, Hong Kong
Associate	T.M Harbour Services Pvt. Ltd., India
Fellow subsidiaries	TKM Global GmbH, Germany TKM Global Logistic Ltd. TKM Global China Limited, China

At the reporting date, significant balances with related parties were as follows:

	Parent company	Ultimate parent company	Associates	Fellow subsidiaries	Total 2016	Total 2015
	US\$	US\$	US\$	US\$	US\$	US\$
Included in trade receivables	--	68,035	--	--	68,035	
	--	68,035	--	--		68,035
Included in trade and other payables	7,605	--	--	435	8,040	
	3,605	--	--	--		3,605
Investment in associates	--	--	3,462,636	--	3,462,636	
	--	--	3,462,636	--		3,462,636

All balances are unsecured and are expected to be settled in cash. Repayment and other terms are set out in notes 11 and 24.

Significant transactions with related parties during the year were as follows:

	Parent company	Ultimate parent company	Companies under common ownership/management control	Fellow subsidiaries	Directors/ Key management personnel	Total 2016	Total 2015
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Revenue (services rendered)	--	910,972	--	--	--	910,972	
	--	--	2,499,995	--	--		2,499,995
Direct costs (services received)	18,742	--	--	105,592	--	124,334	
	2,142	--	--	53,917	--		56,059
Reimbursement of expenses	39,863	--	--	--	--	39,863	
	--	--	--	--	--		--
Reimbursement of services received	663,929	--	--	1,833	--	665,762	
	151,911	--	--	1,130	--		153,041
Directors' fees, remuneration and benefits	--	--	--	--	240,472	240,472	
	--	--	--	--	292,136		292,136

The establishment has entered into transactions and contracts with related parties on an arm's length price basis.

INTERNATIONAL SHIPPING AND LOGISTICS FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

	US\$	US\$
16. SHORT-TERM LOANS AND ADVANCES		
Advance to agents/ suppliers	10,742	529,218
Staff loans and advances	4,981	20,325
Prepaid expenses	46,001	50,953
Deposits (other than employee security deposits)	7,317	10,084
Advances against hire charges/container leases	71,598	32,283
Advance tax	102,754	100,152
Other receivables	207,735	570,875
	451,128	1,313,890
17. OTHER CURRENT ASSETS		
Voyages-in-progress	1,576,338	719,260
Interest accrued on fixed deposits	685,810	83,803
	2,262,148	803,063
18. REVENUE		
Time chartering	28,402,965	51,946,848
Voyage chartering	4,755,693	11,850,222
Income from jointly controlled operations	--	2,335,080
	33,158,658	66,132,150
19. OTHER INCOME		
Interest income on fixed deposits	491,938	524,705
Credit balances written back	--	288,484
Excess provision no longer required written back	141,795	--
Profit on sale of tangible assets	6,241	--
Foreign exchange gain	--	7,690
Rental Income	13,834	--
Miscellaneous income	236	368
	654,044	821,247
20. DIRECT COSTS		
Vessel hire charges	10,017,578	24,082,780
Bunkering costs	7,805,217	17,118,782
Expenses of jointly controlled operations*	--	2,297,327
Other direct costs	13,767,516	21,254,409
	31,590,311	64,753,298

* Includes unrealised exchange loss of US\$ Nil (previous year US\$ 31,250)

INTERNATIONAL SHIPPING AND LOGISTICS FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

	2016 US\$	2015 US\$
21. EMPLOYEE BENEFIT EXPENSES		
Directors' fees, remuneration and benefits	238,864	215,497
Staff salaries and benefits	762,486	1,010,342
Staff end-of-service gratuity	42,421	72,701
	<u>1,043,771</u>	<u>1,298,540</u>
22. DEPRECIATION AND AMORTISATION EXPENSES		
Depreciation on tangible assets	96,603	112,626
Amortisation of intangible assets	27,205	25,059
	<u>123,808</u>	<u>137,685</u>
23. OTHER EXPENSES		
Rent	19,032	20,578
Loss on assets written off	--	275
Provision for bad and doubtful debts	2,260,301	561,798
Other expenses	463,528	602,121
	<u>2,742,861</u>	<u>1,184,772</u>
24. FINANCIAL INSTRUMENTS		

The management conducts and operates the business in a prudent manner, taking into account the significant risks to which the business is or could be exposed.

The primary risks to which the business is exposed, which are unchanged from the previous year, comprise credit risks, liquidity risks and market risks (including currency risks, cash flow interest rate risks and fair value interest rate risks).

Credit risk is managed by assessing the creditworthiness of potential customers and the potential for exposure to the market in which they operate, combined with regular monitoring and follow-up.

Management continuously monitors its cash flows to determine its cash requirements in order to manage exposure to liquidity risk.

The establishment avails and renders services in local and foreign currencies. Exposure to foreign currency transaction is minimised where possible by denominating such transactions in UAE Dirhams, which has a fixed parity with US Dollars.

Exposures to the aforementioned risks are detailed below:

Credit risk

Financial assets that potentially expose the establishment to concentrations of credit risk comprise principally bank accounts and trade and other receivables.

INTERNATIONAL SHIPPING AND LOGISTICS FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

The establishment's bank accounts are placed with high credit quality financial institutions.

Trade and other receivables are stated net of the allowance of doubtful recoveries. At the reporting date, the establishment's maximum exposure to credit risk from such receivables outside UAE is as follows:

	Bank balance (fixed deposits including accrued interest)		Trade and other receivables	
	2016 US\$	2015 US\$	2016 US\$	2015 US\$
Indian sub-continent	--	--	68,035	663,729
Middle East countries	25,814,565	24,386,178	2,492,286	2,050,000
Other Asian countries	--	--	2,792,041	2,470,473
Europe	--	--	21,639	60,397

At the balance sheet date, 74% of trade receivables was due from two customers (previous year 75% of trade receivables was due from two customers).

Significant concentration of credit risk by industry are as follows:

	2016 US\$	2015 US\$
Minerals	3,360,727	2,793,885
Construction	2,013,274	2,955,024
Agriculture	--	60,397

Currency risk

There are no significant currency risks as substantially all financial assets and financial liabilities are denominated in US Dollars or UAE Dirham which has fixed parity with the US Dollars except for the following:

Indian Rupees

Trade receivables	249,100	265,990
Short-term loans and advances	73,379	157,348
Trade payables	5,321	7,036
Other current liabilities	4,331	955

Interest rate risk

Fixed deposit accounts are subject to fixed interest rates at levels generally obtained in the UAE and are therefore exposed to fair value interest rate risk.

INTERNATIONAL SHIPPING AND LOGISTICS FZE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Fair values

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of the establishment's financial assets and financial liabilities which are required to be stated at cost or at amortised cost approximate to their carrying values.

	2016 US\$	2015 US\$
25. AUDITOR'S REMUNERATION		
Audit fees	<u>26,006</u>	<u>26,006</u>
26. VESSEL HIRE COMMITMENTS		
The establishment has entered into non-cancellable vessel charter agreement for which the future minimum hire payments are as follows:		
Not later than one year	<u>253,344</u>	<u>130,424</u>
27. VESSEL HIRE INCOME		
The establishment has entered into non-cancellable operating hire agreements for chartering vessels. The total minimum hire income to be received is as follows:		
Not later than one year	<u>498,350</u>	<u>1,022,970</u>
28. CONTINGENT LIABILITIES		
Income-tax demand	<u>3,934</u>	<u>3,934</u>
Represents demand from the Indian income tax authorities for payment of additional tax of US\$ 3,934 pertaining to financial years 2009-10 and 2010-11.		
29. JOINTLY CONTROLLED OPERATIONS		
Following assets and liabilities are held by the establishment in respect of jointly controlled operations which the establishment has entered into on a 50% profit/(loss) sharing basis.		
Included in creditor for services (note 6)	5,321	7,036
Included in other current liabilities (note 7)	4,331	955
Included in trade receivables (net of provisions) (note 13)	--	265,990
Included in advance tax (note 16)	791	838
Included in deposits (note 16)	878	5,261
Included in other receivables (note 16)	64,110	67,943
Included in advance to agents (note 16)	7,600	83,306

INTERNATIONAL SHIPPING AND LOGISTICS FZE

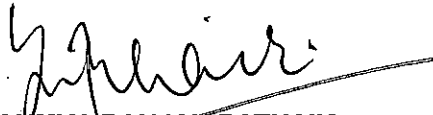
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

	2016	2015
	US\$	US\$
30. EARNINGS PER SHARE (BASIC)	<u>(1,725,712)</u>	<u>(524,666)</u>

31. **COMPARATIVE FIGURES**

Previous year's figures have been regrouped/reclassified wherever necessary to make them comparable to those of current year.

For INTERNATIONAL SHIPPING AND LOGISTICS FZE



SOUMYA RANJAN PATNAIK
CEO & DIRECTOR