

ABJA INVESTMENT CO. PTE. LTD.
(Registration No. 201309883M)

**DIRECTORS' STATEMENT AND
FINANCIAL STATEMENTS**

YEAR ENDED MARCH 31, 2018

ABJA INVESTMENT CO. PTE. LTD.

DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS

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ABJA INVESTMENT CO. PTE. LTD.

DIRECTORS' STATEMENT

The directors present their statement together with the audited financial statements of the Company for the financial year ended March 31, 2018.

In the opinion of the directors, the financial statements set out on pages XX to XX are drawn up so as to give a true and fair view of the financial position of the Company as at March 31, 2018 and the financial performance, changes in equity and cash flows of the Company for the financial year then ended and at the date of this statement, with the continued financial support from its related company and ultimate holding company, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

The directors of the Company in office at the date of this statement are:

Sandip Biswas
Sanjib Nanda
Samita Jigar Shah

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate other than as disclosed in paragraph 3 below.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

Name of directors and company in which interests are held	At beginning of year	At end of year
<u>Tata Steel Limited</u> (Ordinary shares of Rupees 10 each)		
Sandip Biswas	3,868	3,868
<u>Tata Steel Limited</u> (11.0% Debentures of Rupees 1,000,000 each)		
Samita Jigar Shah	3	3

ABJA INVESTMENT CO. PTE. LTD.

DIRECTORS' STATEMENT

4 SHARE OPTIONS

(a) *Options to take up unissued shares*

During the financial year, no option to take up unissued shares of the Company was granted.

(b) *Options exercised*

During the financial year, there were no shares of the Company issued by virtue of the exercise of an option to take up unissued shares.

(c) *Unissued shares under options*

At the end of the financial year, there were no unissued shares of the Company under options.

5 AUDITORS

The auditors, _____ have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

.....
Sandip Biswas

.....
Sanjib Nanda

[Date]

ABJA INVESTMENT CO. PTE. LTD.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF

ABJA INVESTMENT CO. PTE. LTD.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Abja Investment Co. Pte. Ltd. (the "Company"), which comprise the statement of financial position of the Company as at March 31, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 36.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore so as to give a true and fair view of the financial position of the company as at March 31, 2018 and of the financial performance, changes in equity and cash flows of the company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Directors' Statement set out on pages 1 to 2, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

ABJA INVESTMENT CO. PTE. LTD.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF

ABJA INVESTMENT CO. PTE. LTD.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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The directors' responsibilities include overseeing the company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

ABJA INVESTMENT CO. PTE. LTD.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF

ABJA INVESTMENT CO. PTE. LTD.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b) Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

ABJA INVESTMENT CO. PTE. LTD.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF

ABJA INVESTMENT CO. PTE. LTD.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Public Accountants and
Chartered Accountants
Singapore

Date

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

ABJA INVESTMENT CO. PTE. LTD.**STATEMENT OF FINANCIAL POSITION
March 31, 2018**

	Note	2018 US\$'000	2017 US\$'000
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	7	19,593	16,233
Other receivables	8	32,462	23,001
Derivative financial instruments	10	-	309
Total current assets		<u>52,056</u>	<u>39,543</u>
Non-current assets			
Loan receivables due from related companies	9	2,990,186	1,679,085
Derivative financial instruments	10	2,574	12,808
Total non-current asset		<u>2,992,760</u>	<u>1,691,893</u>
Total assets		<u><u>3,044,816</u></u>	<u><u>1,731,436</u></u>
<u>LIABILITIES AND NET CAPITAL DEFICIENCY</u>			
Current liabilities			
Other payables	11	43,172	26,032
Derivative financial instruments	10	76	-
Tax payables		2,314	1,707
Total current liabilities		<u>45,563</u>	<u>27,739</u>
Non-current liabilities			
Notes	13	3,009,005	1,703,077
Loan payable due to related company		21,800	37,800
Deferred tax liability	14	1,603	1797
Other Payables	11	2,788	1,907
Derivative financial instruments	10	1,906	68
Total non-current liabilities		<u>3,037,102</u>	<u>1,744,649</u>
Capital, accumulated losses and reserve			
Share capital	15	200	200
Accumulated losses		(38,040)	(41,142)
Translation reserve		(10)	(10)
Net capital deficiency		<u>(37,850)</u>	<u>(40,952)</u>
Total liabilities and net of capital deficiency		<u><u>3,044,816</u></u>	<u><u>1,731,436</u></u>

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

ABJA INVESTMENT CO. PTE. LTD.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended March 31, 2018

	<u>Note</u>	<u>2018</u> US\$'000	<u>2017</u> US\$'000
Interest income	16	123,614	112,399
Finance costs	17	(110,935)	(97,722)
Foreign currency exchange gain, net		11,934	(2,975)
Fair value (losses)/gains on derivative financial instruments, net	18	(12,458)	8,794
Other operating expenses		<u>(7,147)</u>	<u>(7,116)</u>
Profit before tax		5,009	13,380
Income tax expense	19	<u>(1,907)</u>	<u>(1,767)</u>
Profit for the year, representing to comprehensive income for the year	20	<u><u>3,102</u></u>	<u><u>11,613</u></u>

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

ABJA INVESTMENT CO. PTE. LTD.**STATEMENT OF CHANGES IN EQUITY
Year ended March 31, 2018**

	Share capital	Accumulated losses	Translation reserve	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Balance at March 31, 2016	200	(52,755)	(10)	(52,565)
Profit for the year, representing total comprehensive income for the year	-	11,613		11,613
Balance at March 31, 2017	200	(41,142)	(10)	(40,952)
Profit for the year, representing total comprehensive income for the year	-	3,102		3,102
Balance at March 31, 2018	200	(38,040)	(10)	(40,952)

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

ABJA INVESTMENT CO. PTE. LTD.**STATEMENT OF CASH FLOWS**
Year ended March 31, 2018

	<u>Note</u>	<u>2018</u>	<u>2017</u>
		US\$'000	US\$'000
Operating activities			
Profit before tax		5,009	13,380
Adjustments for:			
Finance costs		110,935	97,722
Interest income		(123,614)	(112,399)
Guarantee Commission		7,086	7,069
Fair value losses on derivative financial instruments, net		12,458	(8,794)
Unrealised foreign currency exchange gain, net		(11,781)	3,085
Operating cash flows before movements in working capital		91	62
Movements in trade and other receivables		(1,287,936)	
Other payables		1,932	(59)
Cash generated from operations		(1,285,913)	3
Interest received		123,500	116,517
Finance costs paid		(99,284)	(99,418)
Income tax paid		(1,531)	(513)
Guaranteed Commission paid		(7,063)	(12,127)
Proceeds from borrowings		1,289,292	
Repayment of borrowings		(16,000)	-
Net cash from operating activities, representing net increase in cash and cash equivalents		3,001	4,462
Effect of exchange rate changes on the balance of cash held in foreign currencies		359	1
Cash and cash equivalents at the beginning of the year		16,233	11,770
Cash and cash equivalents at the end of the year	7	<u>19,593</u>	<u>16,233</u>

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

ABJA INVESTMENT CO. PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
March 31, 2018

1 GENERAL

The Company (Registration No. 201309883M) is incorporated in Singapore with its principal place of business and registered office at 22 Tanjong Kling Road, Singapore 628048. The financial statements are expressed in United States dollars ("US\$").

The principal activity of the Company consists of provision of treasury services.

The Company had in prior years, issued guaranteed notes (Note 13) with principal amount of US\$1,500,000,000 and S\$300,000,000 which are listed on the Freiverkehr (Open Market) of the Frankfurter Wertpapierbörse ("Frankfurt Stock Exchange") and the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") respectively. Further during the year, company has issued notes (Note 13) with principal amount of US\$1,300,000,000 which are listed on the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST"). Further information is disclosed in Note 13.

As at March 31, 2018, the Company has a capital deficiency of US\$ 37,850,000 (2017 : US\$40,952,000), current assets in excess of current liabilities of US\$ 6,493,000 (2017 : current assets in excess of current liabilities of US\$11,804,000) and current year total comprehensive income of US\$3,102,000 (2017 : total comprehensive income of US\$11,613,000).

In February 2015, the loans of US\$1,488,000,000 were re-assigned to a related company which bear higher interest rates and are repayable in the period from 2020 to 2024. The interest rates on these loan receivables were further revised upwards subsequent to the financial year end as part of management's review. Management had assessed that the cash flows from interest income expected to be received from loans to related companies will be sufficient to cover the interest expenses that the Company expects to incur as the interest rate charges are higher than the interest rate payable on the debt. However, while these future cash inflows estimated will cover the future interest outflows and related expenses, management had assessed that these will sufficiently cover the Company's existing net capital deficiency in the future.

During the year ended March 31, 2018, the Company earned interest income of US\$ 123,614,000 (2017 : US\$112,399,000) and incurred finance costs of US\$110,935,000 (2017 : US\$97,722,000) and generated net profit of US\$ 3,102,000 (2017 : net profit of US\$11,613,000) for the year.

The interest rates for the long-term loans of US\$988,000,000 and US\$500,000,000 are revised from 6.45% to 6.92% and 5.35% to 5.92% per annum respectively with effect from April 1, 2016 until the end of the tenure of the loans (Note 9). Any future revision to interest rates due to market changes will be at mutual agreement of third parties.

Management had considered the above and assessed that (i) the total guaranteed notes of US\$ 3,009,005,000 (2017 : US\$1,703,077,000) (Note 13) issued by the Company, including any current and future related interest payables, are guaranteed by the ultimate holding company (Note 5); (ii) the cash flows from interest income expected to be received from loans to related companies will be sufficient to cover the interest expenses that the Company expects to incur as the interest rate charges are higher than the interest rate payable on the debt (iii) prior to the year end, the maturity date of the long-term loan of US\$21,800,000 loan (Note 12) was extended to January 24, 2020; and (iv) On the above, management has assessed that there are no material uncertainties on the Company's ability to continue as going concern and these will sufficiently cover the Company's existing net capital deficiency in the future. In addition, management has also assessed that if required, fundings from the ultimate holding company will be available.

The financial statements of the Company for the year ended March 31, 2018 were authorised for issue by the Board of Directors on [Date].

ABJA INVESTMENT CO. PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
March 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements are prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (“FRS”).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and the measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS – On April 1, 2016, the company adopted all the new and revised FRSs and Interpretations of FRS (“INT FRS”) that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the company’s accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following FRSs that are relevant to the company were issued but not effective:

- FRS 109 *Financial Instruments* ¹
- FRS 115 *Revenue from Contracts with Customers (with clarifications issued)* ¹
- FRS 116 *Leases* ²

¹ Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

² Applies to annual periods beginning on or after January 1, 2019, with earlier application permitted if FRS 115 is adopted

ABJA INVESTMENT CO. PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
March 31, 2018

Consequential amendments were also made to various standards as a result of these new/revised standards.

The management anticipates that the adoption of the above FRSs in future periods will not have a material impact on the financial statements of the company in the period of their initial adoption except for the following:

FRS 109 *Financial Instruments*

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of FRS 109:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt instruments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.
- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.
- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

ABJA INVESTMENT CO. PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
March 31, 2018

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in FRS 39. Under FRS 109, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The management is currently evaluating the potential impact of the FRS 109 in the financial statements of the company.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest rate basis for debt instruments.

Financial assets

Cash and cash equivalents in the statement of cash flows

Cash and cash equivalents comprise cash at bank that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of statement of cash flows.

Loans and receivables

Loans and other receivables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate method except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

ABJA INVESTMENT CO. PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
March 31, 2018

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through the profit or loss to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis, except for short-term payables when the effect of discounting is immaterial.

Interest-bearing guaranteed notes and loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Company's accounting policy for borrowing costs (see below).

ABJA INVESTMENT CO. PTE. LTD.

NOTES TO FINANCIAL STATEMENTS
March 31, 2018

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Company enters into certain derivative financial instruments to manage its exposure to foreign exchange rate risk and interest rate, including forward foreign exchange contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in Note 10.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

PROVISIONS - Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to

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get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Company's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively).

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FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The financial statements of the Company is measured and presented in United States dollar (US\$), which is the currency of the primary economic environment in which the entity operates (its functional currency).

Transactions in currencies other than the Company's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing the end of each reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Functional currency

FRS 21 *The Effects of Changes in Foreign Exchange Rates* requires the Company determine its functional currency to prepare the financial statements. When determining its functional currency, the Company considers the primary economic environment in which it operates i.e. the one in which it primarily generates and expends cash. The Company also considers the funds generated from financing activities.

During the year ended March 31, 2018, management had reassessed and determined that the functional currency of the Company continues to be United States dollars on the basis that its majority funding and its significant transactions are denominated in United States dollars.

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(ii) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Loan receivables and interest receivables from related companies

The Company has interest receivables and loan receivables due from related companies of US\$ 32,095,000(2017 : US\$22,516,000) (Note 8) and US\$2,990,187,000(2017 :US\$1,679,085,000) (Note 9) respectively.

The policy for allowances for bad and doubtful receivables of the Company is based on the evaluation of collectability and management's judgement. Judgement is required in assessing the ultimate realisation of these receivables from these related companies. If the financial conditions of related companies were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Based on management's evaluation, no impairment is assessed to be necessary for loan receivables and interest receivables from these related companies. The carrying amount of interest receivables and loan receivables are disclosed in Notes 8 and 9 respectively.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	2018	2017
	US\$'000	US\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	3,042,242	1,720,166
Derivative financial instruments	2,574	13,117
	<u>3,044,816</u>	<u>1,733,283</u>
Financial liabilities		
Amortised cost	3,054,965	1,770,663
Loan from TSGH	21,800	37,800
Derivative financial instruments	1,983	68
	<u>3,078,748</u>	<u>1,808,530</u>

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- (b) *Financial instruments subject to offsetting, enforceable master netting arrangement and similar agreements*

There was no offsetting or netting arrangements in 2018 and 2017 for financials asset and liability.

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The Company's overall risk management policy seeks to minimise potential adverse effects of financial performance of the Company.

The Company is exposed to financial risks such as foreign exchange, interest rate, credit and liquidity risks. Management regularly reviews its policy governing risk management practices. There has been no change to the Company's exposure to these financial risks or the manner in which it manages and measures these risks during the year.

(i) Foreign exchange risk management

Certain of the Company's financial assets and financial liabilities are denominated in currencies other than its functional currency and hence the Company is therefore exposed to foreign exchange risk. The Company uses forward foreign exchanges contracts to manage its exposure to foreign currency risk in the local reporting currency. Further details on these derivative financial instruments are disclosed in Note 10.

At the end of the reporting period, the carrying amounts of significant monetary assets and monetary liabilities denominated in currencies other than the Company's functional currency which have the exposure to foreign currency risk are as follows:

	<u>Liabilities</u>		<u>Assets</u>	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Euro	2,127	1,847	198,596	172,315
Indian rupee	-	-	-	-
Singapore dollar	233,127	218,437	23,732	21,772

If the United States dollars strengthen by 10% against the relevant foreign currency, profit before tax will (decrease)/increase by:

	<u>Profit or loss</u>	
	2018 US\$'000	2017 US\$'000
Euro	(729)	(478)
Indian rupee	-	-
Singapore dollar	966	(1,655)

If the United States dollar weakens by 10% against the relevant foreign currencies, the impact on profit for the year will be converse of the above.

Hedged Exposure-POS

Euro	189,181
Singapore Dollar	199,731

Unhedged Exposure

Euro	9,416
Singapore Dollar	33,396

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(ii) Interest rate risk management

Interest rate risk refers to the risk faced by the Company as a result of fluctuation in interest rates. The Company is exposed to interest rate risk associated with certain of its loan receivables and loan payables which have floating rates. The interest rate and terms of repayment are as disclosed in Note 9.

The Company uses interest swaps to manage its interest rate risk. Further details of the interest rate swaps are disclosed in Note 10.

Interest rate sensitivity

The sensitivity analyses below have been determined based on year-end balance which is subject to floating interest rates at the end of the reporting period.

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Company's Profit for the year ended March 31, 2018 would Increase/ decrease by US\$218,000 (2017 : profit for the year would increase/ decrease by US\$378,000).

(iii) Credit risk management

The Company's credit risk is primarily attributable to its cash and cash equivalents, loan receivables and interest receivables due from related companies.

Cash balances are held with creditworthy financial institutions. At March 31, 2018, the Company has a concentration of credit risk from loan receivables and interest receivables due from 3 (2017 : 3) related companies which account for 99.9% (2017 : 99.9%), amounting to approximately US\$ 3,022,282,000 (2017 : US\$1,701,601,000) of total receivables. Management has evaluated the credit quality of these receivables and who the counterparties are and has assessed that the credit risk for these amounts to be manageable.

(iv) Liquidity risk management

Liquidity risk reflects the risk that the Company will have insufficient resources to meet its financial liabilities as they fall due. The Company's strategy to manage liquidity risk is to ensure that the Company has sufficient funds to meet its potential liabilities as they fall due. As at March 31, 2018, the Company has a capital deficiency of US\$ 37,850,000 (2017 : US\$40,952,000) and current assets in excess of current liability of US\$ 6,493,000 (2017 : current assets in excess of current liability of US\$11,804,000), and management has assessed as disclosed in Note 1 that the Company will have sufficient funds to operate as a going concern. In addition, management is of the opinion that, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

Financial liabilities

The Company's operations are largely financed by short-term loan from a related company (Note 12) and guaranteed notes (Note 13). The Company's financial liabilities are due on demand within 1 year, except for derivative financial instruments (Note 10) and interest bearing guaranteed notes (Note 13) which are repayable between January 2020 to July 2024.

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Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liabilities on the statement of financial position.

	Average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<u>2018</u>						
Non-interest bearing	-	43,172	2,788			45,968
Variable interest rate instrument	3.45	-	23,400	-	(1,600)	21,800
Fixed interest rate instrument	4.45 - 5.95	170,045	1,096,421	2,882,430	(1,139,891)	3,009,005
		<u>213,217</u>	<u>1,122,610</u>	<u>2,882,430</u>	<u>(1,141,491)</u>	<u>3,076,765</u>
<u>2017</u>						
Non-interest bearing	-	27,879	1,907			29,786
Variable interest rate instrument	2.86	-	39,870	-	(2,070)	39,707
Fixed interest rate instrument	4.85 - 5.95	76,083	829,024	1,379,463	(581,493)	1,703,077
		<u>103,962</u>	<u>870,801</u>	<u>1,379,463</u>	<u>(583,563)</u>	<u>1,770,663</u>

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Financial assets

The Company's financial assets comprise cash and cash equivalents, other receivables and loan receivables due from related companies as disclosed in Notes 7, 8 and 9 respectively.

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial assets on the statement of financial position.

	Average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<u>2018</u>						
Non-interest bearing Variable interest rate instrument		52,056				52,056
Fixed interest rate instrument	4.65 – 8.25	187,923	1,175,553	2,838,433	(1,211,722)	2,990,187
		<u>239,979</u>	<u>1,175,553</u>	<u>2,838,433</u>	<u>(1,211,723)</u>	<u>3,042,243</u>
<u>2017</u>						
Non-interest bearing Variable interest rate instrument		41,081				41,081
Fixed interest rate instrument	5.10 – 8.25	70,605	902,603	1,338,848	(632,971)	1,679,085
		<u>111,686</u>	<u>902,603</u>	<u>1,338,848</u>	<u>(632,971)</u>	<u>1,720,166</u>

Derivative financial instruments

As at the end of the reporting period, the Company's derivative financial instruments comprise of foreign exchange forward contracts with contracted net cash outflow amounting to US\$ 436,000 (2017 : net cash inflow amounted to US\$ 9,760,000) (Note 10) and interest rate swaps with contracted net cash inflow amounting to US\$ 1,027,000 (2017 : net cash inflow amounted to US\$3,289,000) (Note 10). Further information of these derivative financial instruments is disclosed in Note 10.

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(v) Fair value of the financial assets and financial liabilities

Some of the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. Management classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy levels are as described in Note 2.

The Company's derivative financial instruments consisting of forward foreign exchange contracts and interest rate swaps, are measured at fair value at the end of each reporting period, and are determined based on observable quoted market rates for equivalent instruments with the same quantum and maturity dates at the end of each reporting period. The fair value measurement of these derivative financial instruments as determined by management, are classified as Level 2 in the fair value hierarchy. The carrying amounts and further information of these derivative financial instruments are disclosed in Note 10.

There were no significant transfers between respective levels of the fair value hierarchy in the period.

Management considers that the carrying amounts of the financial assets and financial liabilities of the Company recorded at amortised cost in the financial statements approximate their fair values due to the relative short-term maturity of these financial instruments.

The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

(d) *Capital risk management policies and objectives*

The Company reviews its capital structure at least annually to ensure that the Company will be able to continue as a going concern. The capital structure of the Company comprises only of issued capital, accumulated losses and guaranteed notes. The Company's overall strategy remained unchanged from the previous financial year.

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5 IMMEDIATE AND ULTIMATE HOLDING CORPORATION

The Company is a wholly-owned subsidiary of Tata Steel Limited, incorporated in India, which is also the Company's ultimate holding company.

Some of the Company's transactions and arrangements are between members of the group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the year, other than as disclosed elsewhere in the financial statements, the Company entered into the following significant transactions with Holding company:

	<u>2018</u>	<u>2017</u>
	US\$'000	US\$'000
Guarantee commission expense on guaranteed notes charged by ultimate holding company	(7,086)	(7,069)

For outstanding balances as at March 31,2018 arising from transactions with holding corporation refer note 11.

6 RELATED PARTY TRANSACTIONS

Related companies in these financial statements refer to members of the holding company's group of companies.

Some of the Company's transactions and arrangements are between members of the group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the year, other than as disclosed elsewhere in the financial statements, the Company entered into the following significant transactions with related companies:

	<u>2018</u>	<u>2017</u>
	US\$'000	US\$'000
Interest income from loan receivables due from related companies	121,500	111,244
Interest expenses on loan payable due to a related company	<u>(880)</u>	<u>(1,011)</u>

Compensation of directors and key management personnel

There are no key managerial personnel other than the directors of the Company. No remuneration is paid by the Company to the directors. The directors are paid remuneration by related corporations in their capacity as directors and/or executives of those related corporations.

For outstanding balances as at March 31,2018 arising from transactions with related companies refer note 8 and 11.

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7 CASH AND CASH EQUIVALENTS

2018	2017
US\$'000	US\$'000
Cash at bank	16,233
<u>19,593</u>	<u>16,233</u>

8 OTHER RECEIVABLES

2018	2017
US\$'000	US\$'000
Accrued interest income on loan receivables due from related companies (Note 5)	22,516
Interest receivables on derivative financial instruments	485
<u>32,095</u>	<u>23,001</u>
<u>368</u>	<u>23,001</u>
<u>32,463</u>	<u>23,001</u>

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9 LOAN RECEIVABLES

	2018	2017
	US\$'000	US\$'000
Notes due from a related company ⁽¹⁾	189,181	165,686
Loan receivables due from related companies ⁽²⁾	2,801,006	1,513,399
	<u>2,990,187</u>	<u>1,679,085</u>

⁽¹⁾ (a) Notes of Euro75,000,000 issued on December 20, 2013 to a related company, Tata Steel Netherlands Holdings B.V ("TSNH"), which is unsecured and repayable by May 2, 2023. The note bear interest rates of 6.601% per annum for the first interest period ending May 1, 2014, interest rate of Euribor + 6.250% per annum for the subsequent interest periods ending November 1, 2016, and interest rate of 8.250% per annum for further subsequent interest periods to maturity on May 2, 2023. As at March 31, 2018, this note is measured at an amortised cost of Euro 77,065,000 (equivalent to US\$94,906,000) [2017 : Euro 77,387,000 (equivalent to US\$82,912,000)] based on the effective interest method with an effective interest rate of 7.579% (2017 : 7.579%) per annum.

(b) Notes of Euro75,000,000 issued on March 20, 2014 to TSNH, which is unsecured and repayable by May 2, 2023. The note bear interest rates of 6.634% per annum for the first interest period ending May 1, 2014, interest rate of Euribor + 6.250% per annum for the subsequent interest periods ending November 1, 2016, and interest rate of 8.250% per annum for further subsequent interest periods to maturity on May 2, 2023. As at March 31, 2018, this note is measured at an amortised cost of Euro 76,954,000 (equivalent to US\$ 94,769,000) [2017 : Euro 77,258,000 (equivalent to US\$ 82,774,000)] based on the effective interest method with an effective interest rate of 7.615% (2017 : 7.615%) per annum.

⁽²⁾ (a) As at March 31, 2018, long-term loans of US\$1,488,000,000 (2017 : US\$1,488,000,000) to a related company, T S Global Procurement Company Pte. Ltd. consist of:

- a long-term loan of US\$988,000,000 which bear interest rate at 6.920% (2017 : 6.920%) per annum and is repayable on July 30, 2024. This loan is measured at an amortised cost of US\$991,715,000 (2017 : US\$993,274,000) based on the effective interest method with an effective interest rate of 6.88% (2017 : 6.88%) per annum.
- a long-term loan of US\$500,000,000 which bears interest rate at 5.92% (2016 : 5.920%) per annum and is repayable on January 30, 2020. This loan is measured at an amortised cost of US\$ 501,247,000(2017 : US\$ 502,783,000) based on the effective interest method with an effective interest rate of 5.79% (2017 : 5.79%) per annum.
- During the year ended 2017, the interest rates for the long-term loans of US\$988,000,000 and US\$500,000,000 are revised from 6.450% to 6.920% and 5.350% to 5.920% per annum respectively with effect from April 1, 2016 until the end of the tenure of the loans. Any future revision to interest rates due to market changes will be at mutual agreement of both parties.

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(b) As at March 31, 2018, a long-term loan of [2018 : S\$26,457,000 (equivalent to US\$20,184,000)] to a related company, T S Global Holdings Pte. Ltd. ("TSGH"), is unsecured, bears interest rate of 5.100% (2017 : 5.100%) per annum and repayable by December 20, 2021.

During the year ended 2018, ABJA has issued new long-term loan of US\$ 990,000,000 and US\$ 297,860,000 to a related company, T S Global Holdings Pte. Ltd. ("TSGH"), is unsecured, bears interest rate of 5.650% and 4.650% per annum and repayable by January 24, 2028 and July 24, 2023 respectively.

Management is of the opinion that fair value of these loan receivables approximates the carrying value as these are either charged at floating rates or at approximate rates which the management expects would be available to the related companies based on transfer pricing studies by qualified tax specialist.

10 DERIVATIVE FINANCIAL INSTRUMENTS

	2018 US\$'000	2017 US\$'000
Current assets:		
Forward foreign exchange contracts - unrealised fair value gains	-	309
Non-current assets:		
Forward foreign exchange contracts - unrealised fair value gains	1,547	9,519
Interest rate swaps - unrealised fair value gains	1,027	3,289
	<u>2,574</u>	<u>12,808</u>
Current liabilities:		
Forward foreign exchange contracts	76	-
Non-current liabilities:		
Forward foreign exchange contracts - unrealised fair value losses	1,906	68

Forward foreign exchange contracts

The Company uses currency derivatives in the management of its foreign exchange exposures.

At the end of the reporting period, the total notional amount of outstanding forward foreign exchange contracts to which the Company is committed are as follows:

	2018 US\$'000	2017 US\$'000
Forward foreign exchange contracts	<u>211,384</u>	<u>183,033</u>

Changes in the fair value of derivative financial instruments

	2018 US\$'000	2017 US\$'000
Opening fair value of derivative financial instruments	9,760	1,583
Net fair value losses of derivative financial instruments recognised in profit or loss (Note 18) during the year	<u>(10,196)</u>	<u>8,177</u>
Closing fair value of derivative financial instruments representing unrealised net fair value gains	<u>(436)</u>	<u>9760</u>

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The following table details information on the forward foreign currency contracts outstanding as at March 31, 2018:

Outstanding contracts	Average exchange rate	Foreign currency	Contract value	Fair value gains (losses)
		FC\$'000	US\$'000	US\$'000
Sell Euro with maturity date less than 1 year	1.60	5000	6,158	(76.19)
Sell Euro with maturity date before 2023	1.71	8,550	10,529	110.10
Sell Euro with maturity date on May 2, 2023	1.76	75,000	92,363	1,228.71
Sell Euro with maturity date on May 2, 2023	1.73	75,000	92,363	(1,906.49)
Buy SGD with maturity date on May 2, 2023	1.34	5,000	3,815	208.26
Total			<u>211,384</u>	<u>(435.61)</u>

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The following table details information on the forward foreign currency contracts outstanding as at March 31, 2017:

Outstanding contracts	Average exchange rate	Foreign currency FC\$'000	Contract value US\$'000	Fair value gains (losses) US\$'000
Sell Euro with maturity date less than 1 year	1.607	4200	4,493	309
Sell Euro with maturity date before 2023	1.677	13,550	14,495	948
Sell Euro with maturity date on May 2, 2023	1.762	75,000	80,233	5,708
Sell Euro with maturity date on May 2, 2023	1.729	75,000	80,233	2,863
Buy SGD with maturity date on May 2, 2023	1.339	5,000	3,579	(68)
Total			183,033	9,760

Interest rate swaps

The Company uses interest rate swaps to manage its exposure to interest rate movements. Contracts with nominal values of S\$150,000,000 (2017: S\$150,000,000) have been entered where it will pay fixed interest payments at an average rate of 4.789% (2017: 4.789%) on the Euro notional principal equivalent of S\$150,000,000 (2017: S\$150,000,000) and receive fixed interest receipt at 4.950% (2017 : 4.950%) on the Singapore dollar notional principal of S\$150,000,000 (2017 : S\$150,000,000). These contracts are for the period until May 2, 2023 (2017 : May 2, 2023).

Changes in the fair value of derivative financial instruments

	2018 US\$'000	2017 US\$'000
Opening fair value of derivative financial instruments	3,289	2,672
Net fair value losses of derivative financial instruments recognised in profit or loss (Note 18) during the year	(2,262)	617
Closing fair value of derivative financial instruments representing unrealised net fair value gains	1,027	3,289

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The following table details information on the interest rate swap contracts outstanding as at March 31, 2018:

<u>Outstanding floating for fixed contracts</u>	<u>Notional principal amount</u> US\$'000	<u>Fair value gains</u> US\$'000
With maturity date on May 2, 2023	150,000	1,027

The following table details information on the interest rate swap contracts outstanding as at March 31, 2017:

<u>Outstanding floating for fixed contracts</u>	<u>Notional principal amount</u> US\$'000	<u>Fair value Gains</u> US\$'000
With maturity date on May 2, 2023	150,000	3,289

The interest rate swaps are settled net on a semi-annually basis.

11 OTHER PAYABLES

	<u>2018</u> US\$'000	<u>2017</u> US\$'000
Current		
Accrued interest expenses on guaranteed notes (Note 13)	31,399	18,298
Other payables		
- third parties	4,658	675
- ultimate holding company	7,115	7,059
	<u>43,172</u>	<u>26,032</u>
Non Current		
Accrued interest expenses on loan payable due to a related company (Note 12)	2,788	1,908
	<u>45,961</u>	<u>27,940</u>

12 LOAN PAYABLE

	<u>2018</u> US\$'000	<u>2017</u> US\$'000
Non Current		
Loan payable due to a related company	21,800	37,800
	<u>21,800</u>	<u>37,800</u>

As at March 31, 2018, a long-term loan of US\$21,800,000 (2017 : US\$37,800,000) payable to a related company, T S Global Holdings Pte. Ltd., is unsecured, bears interest rate of 1.5% + 6 months USD LIBOR (2017 : 1.5% + 6 months USD LIBOR) per annum and is repayable by January 24, 2020 (2017 : January 26, 2019).

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During the year ended March 31, 2018, the maturity date of the loan was extended from January 26, 2019 to January 24, 2020

13 GUARANTEED NOTES

	2018	2017
	US\$'000	US\$'000
Guaranteed notes at amortised cost		
- 2023 Notes ⁽¹⁾	227,579	213,215
- 2020 Notes ⁽²⁾	498,295	497,365
- 2024 Notes ⁽²⁾	993,520	992,497
- 2023 Notes ⁽³⁾	297,641	-
- 2028 Notes ⁽³⁾	991,969	-
	3,009,005	1,703,077

Guaranteed notes consist of:

- (1) Guaranteed notes (the "2023 Notes") with principal amount of S\$300,000,000 which bear interest rate at 4.95% per annum were issued on May 3, 2013 with maturity on May 3, 2023. These 2023 Notes are listed on the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST").

These 2023 Notes are unsecured senior obligations of the Company and are irrevocably guaranteed on an unsecured basis (the "Guarantee") by the Company's ultimate holding company, Tata Steel Limited (the "Guarantor"), provided that, at all times, the Guarantee shall be in respect of an amount not exceeding 125% of the outstanding principal amount of these 2023 Notes which shall be S\$375,000,000 (the "Guaranteed Amount"). These 2023 Notes are unsecured obligations of the Company, will rank pari passu with all of its other existing and future unsubordinated obligations and will be effectively subordinated to its secured obligations and the obligations of the Guarantor's subsidiaries.

These 2023 Notes bear interest at a rate of 4.95% per annum. Interest is paid on the 2023 Notes semi-annually in arrears on May 3 and November 3 of each year, beginning on November 4, 2013. Unless previously repurchased, cancelled or redeemed, these 2023 Notes will mature on May 3, 2023. Issue related costs amounted to approximately S\$3,210,000 (equivalent to US\$2,551,000).

As at March 31, 2018, these 2023 Notes are measured at an amortised cost of S\$298,300,000 (equivalent to US\$227,579,000) [2017 : S\$297,832,000 (equivalent to US\$213,215,093)].

- (2) Guaranteed notes with principal amount of US\$500,000,000 which bear interest rate at 4.85% per annum (the "2020 Notes") and US\$1,000,000,000 which bear interest rate at 5.95% per annum (the "2024 Notes") were issued on July 31, 2014 with maturity on January 31, 2020 and July 31, 2024 respectively. These guaranteed notes are listed on the Freiverkehr (Open Market) of the Frankfurter Wertpapierbörse ("Frankfurt Stock Exchange").

The guaranteed notes are unsecured senior obligations of the Company and are irrevocably guaranteed on an unsecured basis (the "Guarantee") by the Company's ultimate holding company, Tata Steel Limited (the "Guarantor"), provided that, at all times, the Guarantee shall be in respect of an amount not exceeding 125% of the outstanding principal amount of the guaranteed notes which shall be US\$625,000,000 and US\$1,250,000,000 respectively (the "Guaranteed Amount"). These guaranteed notes are unsecured obligations of the Company, will rank pari passu with all of its other existing and future unsubordinated obligations and will be effectively subordinated to its secured obligations and the obligations of the Guarantor's subsidiaries.

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These 2020 Notes and 2024 Notes bear interest at a rate of 4.85% and 5.95% per annum respectively. Interest is paid on the 2020 Notes and 2024 Notes semi-annually in arrears on January 31 and July 31 of each year, beginning on January 31, 2015. Unless previously repurchased, cancelled or redeemed, these 2020 Notes and 2024 Notes will mature on January 31, 2020 and July 31, 2024 respectively. Issue related costs amounted to approximately US\$15,347,000.

As at March 31, 2018, these 2020 Notes and 2024 Notes are measured at an amortised cost of US\$498,295,000(2017:US\$497,365,000) and US\$ 993,520,000(2017 : US\$ 992,497,000) respectively.

- (3) Notes with principal amount of US\$300,000,000 which bear interest rate at 4.45% per annum (the "2023 Notes") and US\$1,000,000,000 which bear interest rate at 5.45% per annum (the "2028 Notes") were issued on July 31, 2014 with maturity on January 31, 2020 and July 31, 2024 respectively. These guaranteed notes are listed on the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST").

Each of the US\$300,000,000 4.45% Notes due 2023 (the "2023 Notes") and the US\$1,000,000,000 5.45% Notes due 2028 (the"2028 Notes") will be the unsecured senior obligations of ABJA Investment Co.Pte. Ltd. (the "Issuer"), and will rank pari passu with all of its other existing and future unsubordinated obligations and will be effectively subordinated to its secured obligations and the obligations of its subsidiaries. Tata Steel has provided a non-binding letter of comfort to the Trustee on behalf of the noteholders in connection with the issuance of the Notes.

The 2023 Notes will bear interest at a rate of 4.45% per year. Interest will be paid on the 2023 Notes semi-annually in arrearon January 24 and July 24 of each year, beginning on July 24, 2018. Unless previously repurchased, cancelled, exchanged or redeemed, the 2023 Notes will mature on July 24, 2023. The 2028 Notes will bear interest at a rate of 5.45% per year. Interest will be paid on the 2028 Notes semi-annually in arrear on January 24 and July 24 of each year, beginning on July 24, 2018.Unless previously repurchased, cancelled, exchanged or redeemed, the 2028 Notes will mature on January 24, 2028. Issue related costs amounted to approximately US\$10,708,000

As at March 31, 2018, these 2023 Notes and 2028 Notes are measured at an amortised cost of US\$297,641,000 and US\$ 991,969,000 respectively.

As at March 31, 2018, the fair values of the 2023 Notes, 2020 Notes, 2024 Notes,2023 Notes(US\$300mn) and 2028 Notes approximates S\$313,410,000 (equivalent to US\$239,107,000), US\$ 504,975,000,US\$ 1,014,450,000 ,US\$ 292,680,000 and US\$ 945,600,000 respectively. The fair values are classified under Level 1 of the fair value hierarchy (Note 2).

As at March 31, 2017, the fair values of the 2023 Notes, 2020 Notes and 2024 Notes approximates S\$294,375,000 (equivalent to US\$210,740,119), US\$ 513,625,000 and US\$ 1,034,400,000 respectively. The fair values are classified under Level 1 of the fair value hierarchy (Note 2).

14 DEFERRED TAX LIABILITY

	2018	2017
	US\$'000	US\$'000
Deferred tax liability	1,603	1,797

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The deferred tax liability is recognised by the Company on account of interest income from foreign sources not remitted to Singapore. The movement during the reporting period is as follow:

	<u>2018</u>	<u>2017</u>
	US\$'000	US\$'000
Balance at beginning of year	1,797	1,796
Charge to profit or loss (Note 19)	<u>(194)</u>	<u>1</u>
Balance at end of year	<u>1,603</u>	<u>1,797</u>

15 SHARE CAPITAL

	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	Number of ordinary shares		US\$'000	US\$'000
Issued and paid up:				
At beginning and end of year	<u>20,000</u>	<u>20,000</u>	<u>200</u>	<u>200</u>

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends.

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16 INTEREST INCOME

	2018	2017
	US\$'000	US\$'000
Interest income on loan receivables due from related companies (Note 5 and 9)	121,500	111,244
Interest income from bank	1,168	24
Interest income on derivative financial instruments	946	1,131
	<u>123,614</u>	<u>112,399</u>

17 FINANCE COSTS

	2018	2017
	US\$'000	US\$'000
Interest expenses:		
- loan payable due to a related company (Notes 5 and 12)	880	1,011
- guaranteed notes (Note 13)	107,528	94,503
Amortisation of borrowing costs	2,527	2,208
	<u>110,935</u>	<u>97,722</u>

18 FAIR VALUE LOSSES ON DERIVATIVE FINANCIAL INSTRUMENTS, NET

	2018	2017
	US\$'000	US\$'000
Fair value losses on derivative financial instruments		
- forward foreign exchange contracts (Note 10)	(10,196)	8,177
- interest rate swaps (Note 10)	(2,262)	617
	<u>(12,458)</u>	<u>8,794</u>

19 INCOME TAX EXPENSE

	2018	2017
	US\$'000	US\$'000
Current tax:		
- current year	2,108	1,707
- under provision in prior year	(7)	59
Deferred tax (Note 14)	(194)	1
Total income tax expenses	<u>1,907</u>	<u>1,767</u>

Statutory income tax is calculated at 17% (2017 : 17%) of the estimated assessable income for the year.

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Tax for the year can be reconciled to the accounting profit as follows:

	2018	2017
	US\$'000	US\$'000
Profit before tax	5,009	13,380
Tax benefit calculated at statutory tax rate of 17%	852	2,275
Tax effect of expense that is not deductible for tax purposes	246	-
Tax exemptions and tax rebates	(27)	(21)
Over-provision in prior year	7	59
Others	829	(546)
Tax expense for the period	1,907	1,767

20 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting):

	2018	2017
	US\$'000	US\$'000
Fair value losses on derivative financial instruments, net	12,458	(8,794)
Foreign currency exchange loss, net	(11,934)	2,975
Guarantee commission expense on guaranteed notes charged by ultimate holding company (Note 5)	7,086	7,069

The Company has no employees and associated staff costs for the financial year end March 31, 2018 and March 31, 2017. Administrative support is provided by the ultimate holding company.