Novelis MEA Ltd.

Directors' report and financial statements for the year ended 31 March 2019

Novelis MEA Ltd.

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Novelis MEA Ltd.

Directors' report

The directors submit their report together with the audited financial statements of Novelis MEA Ltd. (the "Company") for the year ended 31 March 2019.

Incorporation and registered office

The Company was incorporated on 16 October 2012 as a limited liability company under the Companies Law - DIFC Law No. 2 of 2009, as amended, of the Dubai International Financial Centre ("DIFC"), bearing registration number 1278. The registered address of the Company is Unit OT 18-44, Level 18, Central Park Towers, Dubai International Financial Centre, P.O. Box 506780, Dubai, United Arab Emirates.

The Company is a wholly owned subsidiary of Novelis Inc. (the "immediate parent company"), a company registered under tax number 980 393 167 with head office at 191 Evans Avenue, Toronto, Ontario M8Z 1J5, Canada. The ultimate parent company is Hindalco Industries Limited.

Principal activity

The principal activity of the Company is to import and export aluminium.

Results

The results of the Company for the year ended 31 March 2019 are set out on page 6 of the financial statements.

Auditors

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for reappointment.

On behalf of the Board of Directors

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Director

24 April 2019

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Independent auditor's report to the shareholder of Novelis MEA Ltd.

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Novelis MEA Ltd. (the "Company") as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 March 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Other information

The directors are responsible for the other information. The other information comprises the *Director's report* (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 and will 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 identified above 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.

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Independent auditor's report to the shareholder of Novelis MEA Ltd. (continued)

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the Companies Law - DIFC Law No. 2 of 2009, as amended, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Those charged with governance are responsible for 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 ISAs 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.

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

- 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.
- 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.

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Independent auditor's report to the shareholder of Novelis MEA Ltd. (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with those charged with governance 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.

Report on other legal and regulatory requirements

Further, we report that the Company's financial statements have been properly prepared in accordance with the applicable provisions of the Companies Law - DIFC Law No. 2 of 2009, as amended.

PricewaterhouseCoopers
25 April 2019

Rami Sarhan
Registered Auditor No. 1152
Dubai, United Arab Emirates

Novelis MEA Ltd.

Statement of financial position

	Note	As at 31 March 2019 USD	2018 USD
ASSETS			
Non-current asset			
Property and equipment	5	**1,825**	2,959
Current assets			
Trade receivables	6	**133,458,303**	94,232,445
Other financial assets at amortised cost	7	**3,105,643**	4,155,071
Other current assets		**-**	129,886
Derivative financial instruments	16	**55,381**	-
Cash and cash equivalents	4	**106,276,771**	25,191,743
		242,896,098	123,709,145
Total assets		**242,897,923**	123,712,104
EQUITY AND LIABILITIES			
EQUITY			
Share capital	8	**50,000**	50,000
Contributed capital	8	**862,286**	862,286
Retained earnings		**91,843,959**	61,365,190
Total equity		**92,756,245**	62,277,476
LIABILITIES			
Non-current liability			
Provision for employees' end of service benefits	12	**109,869**	81,629
Current liabilities			
Trade and other payables	9	**9,945,051**	5,353,912
Contract liabilities		**968,628**	172,343
Derivative financial instruments	16	**521,510**	-
Due to related parties	11	**138,596,620**	55,826,744
		150,031,809	61,352,999
Total liabilities		**150,141,678**	61,434,628
Total equity and liabilities		**242,897,923**	123,712,104

These financial statements were approved by the Board of Directors on 24 April 2019 and signed on its behalf by:

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Director

Novelis MEA Ltd.

Statement of comprehensive income

	Note	Year ended 31 March 2019 USD	2018 USD
Revenue	13	**526,420,966**	361,479,600
Cost of sales		**(489,796,808)**	(336,772,503)
Gross profit		**36,624,158**	24,707,097
Administrative expenses	14	**(5,899,420)**	(4,171,330)
Derivative financial instruments: losses - net	16	**(466,129)**	-
Other income		**225,901**	203,912
Operating profit		**30,484,510**	20,739,679
Finance income		**-**	148,751
Finance costs		**(5,741)**	(181,425)
Finance costs - net		**(5,741)**	(32,674)
Profit for the year		**30,478,769**	20,707,005
Other comprehensive income		**-**	-
Total comprehensive income for the year		**30,478,769**	20,707,005

The accompanying notes set out on page 9 to 26 from an integral part of these financial statements.

Novelis MEA Ltd.

Statement of changes in equity

	Share capital USD	Contributed capital USD	Retained earnings USD	Total USD
As at 1 April 2017	50,000	862,286	40,658,185	41,570,471
Comprehensive income				
Profit and total comprehensive income for the year	-	-	20,707,005	20,707,005
As at 31 March 2018/ 1 April 2018	50,000	862,286	61,365,190	62,277,476
Comprehensive income				
Profit and total comprehensive income for the year	-	-	30,478,769	30,478,769
As at 31 March 2019	**50,000**	**862,286**	**91,843,959**	**92,756,245**

Novelis MEA Ltd.

Statement of cash flows

	Note	Year ended 31 March 2019 USD	2018 USD
Cash flows from operating activities			
Profit for the year		**30,478,769**	20,707,005
Adjustments for:			
Depreciation	5	**1,134**	249
Provision for employees' end of service benefits	12	**35,156**	21,369
Fair value losses on derivative financial instruments	16	**466,129**	-
Interest income		**-**	(148,751)
Interest and other financing expenses		**5,741**	181,425
Operating cash flows before payment of employees' end of service benefits and changes in working capital		**30,986,929**	20,761,297
Payment of employees' end of service benefits	12	**(6,916)**	(2,384)
Operating cash flows before changes in working capital		**30,980,013**	20,758,913
Changes in working capital:			
Other financial assets at amortised cost		**1,049,428**	44,289,490
Other current assets		**129,886**	(129,886)
Trade and other payables		**4,589,113**	(1,640,583)
Contract liabilities		**796,285**	157,324
Trade receivables		**(39,225,858)**	(28,303,959)
Due to related parties		**82,769,876**	(19,524,241)
Interest received		**-**	110,648
Net cash generated from operating activities		**81,088,743**	15,717,706
Cash flows from financing activity			
Financing expenses paid		**(3,715)**	(140,285)
Net increase in cash and cash equivalents		**81,085,028**	15,577,421
Cash and cash equivalents at beginning of the year		**25,191,743**	9,614,322
Cash and cash equivalents at end of the year	4	**106,276,771**	25,191,743

The accompanying notes set out on page 9 to 26 from an integral part of these financial statements.

1 Legal status and activities

Novelis MEA Ltd. (the "Company") was incorporated on 16 October 2012 as a limited liability company under the Companies Law - DIFC Law No. 2 of 2009, as amended, of the Dubai International Financial Centre ("DIFC"), bearing registration number 1278. The registered address of the Company is Unit OT 18-44, Level 18, Central Park Towers, Dubai International Financial Centre, P.O. Box 506780, Dubai, United Arab Emirates.

The principal activity of the Company is to import and export aluminium. The Company commenced its trading operations from 1 April 2013.

The Company is a wholly owned subsidiary of Novelis Inc. (the "immediate parent company"), a company registered under tax number 980 393 167 with head office at 191 Evans Avenue, Toronto, Ontario M8Z 1J5, Canada. The ultimate parent company is Hindalco Industries Limited, a company incorporated in Worli, Mumbai 400 030, India.

2 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations applicable to companies reporting under IFRS. The financial statements have been prepared on a going concern basis under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

(a) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing on 1 April 2018:

- IFRS 15, 'Revenue from Contracts with Customers'

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management has carried out an exercise to assess the impact of applying the new standard on the Company's financial statements. No material adjustments were noted and no adjustments have been recorded in the Company's financial statements.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Company (continued)

- IFRS 9, 'Financial Instruments'

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Set out below are the details of specific IFRS 9 accounting policies applied in the current period and details of the impact of the adoption of IFRS 9 on the Company.

I. Classification

From 1 April 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss; and
- those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. The Company reclassifies financial assets when and only when its business model for managing those assets changes.

II. Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

III. Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement of financial assets depends on the Company's business model for managing the asset and the cash flow characteristics of the asset.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/ (losses) in the period in which it arises.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Company (continued)

- IFRS 9, 'Financial Instruments' (continued)

IV. Impairment

From 1 April 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Company was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of change in impairment methodology on the Company's financial assets is immaterial.

While cash and cash equivalents are also subject to the impairment requirement of IFRS 9, the identified impairment loss was immaterial.

(b) New standards and interpretations not yet adopted by the Company

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2019 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

- IFRS 16, 'Leases' (effective 1 January 2019)

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Company has performed an assessment and concluded that adoption of IFRS 16 is not expected to have any significant impact on the Company's revenue and net profit since the Company will be liquidating.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Foreign currency

The financial statements are presented in US Dollars ("USD") which is the Company's functional and presentation currency. Functional currency is the currency of the primary economic environment in which the Company operates.

Transactions in a foreign currency are initially recorded in the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2 Summary of significant accounting policies (continued)

2.2 Foreign currency (continued)

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated using the rate of exchange as at the dates of the initial transactions.

2.3 Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is provided at rates calculated to reduce the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

	Years
Leasehold improvements	3
Office equipment	3

The residual values and useful lives of items of property and equipment are reviewed at the reporting date and adjusted if appropriate, at the end of the reporting period.

2.4 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Non-financial assets that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.5 Financial assets

2.5.1 Classification

The Company has adopted IFRS 9 "Financial instruments" and has disclosed the accounting policy in Note 2.1 (a).

Accounting policies applied until 31 March 2018

The Company has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

2 Summary of significant accounting policies (continued)

2.5 Financial assets (continued)

2.5.1 Classification (continued)

(a) Classification

Until 31 March 2018, the Company classified its financial assets in the following categories:

- financial assets at fair value through profit or loss; and
- loans and receivables

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition.

(b) Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9, see description above. Subsequent to the initial recognition, loans and receivables were carried at amortised cost using the effective interest method.

Financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value for financial assets at FVPL were recognised in the statement of comprehensive income within other gains/ (losses)

(c) Impairment

The Company assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

(d) Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in statement of comprehensive income. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Company could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in statement of comprehensive income.

2 Summary of significant accounting policies (continued)

2.5 Financial assets (continued)

2.5.2 Recognition and measurement

Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Such financial assets are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income.

Loans and receivables are initially measured at fair value and subsequently carried at amortised cost less provision for impairment. The amortised cost is computed using the effective interest method.

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the right to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

2.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.7 Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measureable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

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 was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

2 Summary of significant accounting policies (continued)

2.8 Trade and other receivables

Trade and other receivables are amounts due from customers for products sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.9 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.10 Share capital

Ordinary shares are classified as equity.

2.11 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer).

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.12 End of service benefits

Provision is made, using actuarial techniques, for the end of service benefits due to employees in accordance with the UAE Labour Law for their periods of service up to the balance sheet date. The provision relating to employees' end of service benefits is disclosed as a non-current liability.

2.13 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that the Company will be required to settle the obligation and the amount can be reliably estimated. Provisions are recorded at management's best estimate of the expenditure required to settle the obligation at the balance sheet date. Provisions are not recognised for future operating losses.

2 Summary of significant accounting policies (continued)

2.14 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company did not apply hedge accounting during the year. Derivative financial liabilities are recognised and subsequently measured at fair value. Any gains or losses arising from changes in fair value of derivatives are recognised in the statement of comprehensive income. Net gains or losses included in derivatives include exchange differences.

2.15 Revenue recognition

The Company recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

- Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

- Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

- Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

- Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

- Recognise revenue when (or as) the entity satisfies a performance obligation at a point in time or over time.

(a) Sale of goods

Revenue from sale of goods is recognised when customers obtain control of products when the goods are delivered to and have been accepted at their premises. Invoices are generated and revenue is recognised at that point in time. Invoice is generated and recognised as revenue net of applicable sales tax, discounts and rebates which relate to the items sold.

(b) Sale of services

Revenue from providing services is recognised in the accounting period in which the services are rendered in accordance with the respective terms of the service agreements.

2 Summary of significant accounting policies (continued)

2.16 Leases

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

2.17 Interest income

Interest income is recognised using the effective interest method.

3 Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company under policies approved by management.

Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

(a) Foreign exchange risk

The Company is not significantly exposed to currency risk as a majority of its transactions are primarily denominated in USD.

(b) Fair value interest rate risk and cash flow interest rate risk

The Company is exposed to fair value interest rate risk on the amount due from Novelis Corporation and Novelis Inc., which carries a fixed interest rate (Note 11).

At 31 March 2019 and 2018 the Company did not have short-term bank borrowings.

3 Financial risk management

3.1 Financial risk factors (continued)

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk in mainly attributable to trade and other receivables, balances due from related parties, derivative financial assets and cash at bank. The Company has no significant concentrations of credit risk. The Company assesses the credit quality of customers by considering their financial position, past experience and other factors. The Company has established credit limits for customers and monitors their balances. In addition, the Company has no significant risk arising on balances with financial institutions since cash is placed with reputable financial institutions. The company considers the risk associated with related party balances to be low.

The maximum exposure to credit risk is the carrying amount of assets at the reporting date.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its obligations due to shortage of funds. The Company maintains a sufficient level of cash and cash equivalents to meet the Company's working capital requirements by closely monitoring its cash flows. Due to the nature of its business, the Company has adopted prudent liquidity risk management in maintaining and obtaining sufficient credit facilities.

Management monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs. At the reporting date, the Company held cash and bank balances of USD 106,276,771 (2017: USD 25,191,743).

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding from related parties. This includes capital contributions from the shareholder or extended payment terms on amounts due to related parties.

The following are the contractual maturities of financial liabilities (including future interest payable, if any):

	Carrying amount USD	**Contractual cash flows** USD	**Less than 1 year** USD
31 March 2019			
Trade and other payables *	**9,940,524**	**9,940,524**	**9,940,524**
Due to related parties	**138,596,620**	**138,596,620**	**138,596,620**
Derivative financial instruments	**521,510**	**521,510**	**521,510**
	149,058,654	**149,058,654**	**149,058,654**
31 March 2018			
Trade and other payables *	5,349,870	5,349,870	5,349,870
Due to related parties	55,826,744	55,826,744	55,826,744
	61,176,614	61,176,614	61,176,614

**Excluding tax and social security*

3 Financial risk management

3.2 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt (borrowings less cash and cash equivalents) divided by total capital (total equity plus net debt).

The Company had no borrowings as at 31 March 2019 and 2018 and was, therefore, ungeared.

3.3 Fair value estimation

Fair value is determined by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The fair value of financial assets and financial liabilities approximates their carrying value except for derivative financial instruments as disclosed in Note 16.

4 Financial instruments by category

	2019 USD	2018 USD
Assets as per statement of financial position		
Trade receivables (Note 6)	**133,458,303**	94,232,445
Other financial assets at amortised cost (Note 7)	**3,105,643**	4,155,071
Cash and cash equivalents (Note 4)	**106,276,771**	25,191,743
Derivative financial asset (Note 16) – Level 2	**55,381**	-
	242,896,098	123,579,259
Liabilities as per statement of financial position		
Trade and other payables (Note 9)	**9,945,051**	5,353,912
Due to related parties (Note 11)	**138,596,620**	55,826,744
Derivative financial liability (Note 16) – Level 2	**521,510**	-
	149,063,181	61,180,656

4 Financial instruments by category (continued)

The credit quality of financial assets that are not impaired can be assessed by reference to external credit ratings as follows:

	2019 USD	2018 USD
Cash at bank		
Externally rated financial assets (Moody's)		
A1	**306,434**	403,685
A2	**95,226,579**	19,658,941
Aa2	**10,743,622**	5,128,981
Aaa	**136**	136
	106,276,771	25,191,743
Without external rating		
Trade receivables	**133,458,303**	94,232,445
Other financial assets at amortised cost (excluding VAT refundable)	**3,088,850**	4,151,818
	136,547,153	98,384,263

5 Property and equipment

	Leasehold improvements USD	**Office equipment** USD	**Total** USD
Cost			
At 1 April 2017	468,526	185,663	654,189
Additions during the year	-	3,208	3,208
Balance at 31 March 2018	468,526	188,871	657,397
Additions during the year	-	-	-
Balance at 31 March 2019	468,526	188,871	657,397
Accumulated depreciation			
At 1 April 2017	468,526	185,663	654,189
Charge for the year (Note 14)	-	249	249
At 31 March 2018 and 1 April 2018	468,526	185,912	654,438
Charge for the year (Note 14)	-	1,134	1,134
At 31 March 2019	468,526	187,046	655,572
Net book amount			
At 31 March 2019	-	**1,825**	**1,825**
At 31 March 2018	-	2,959	2,959

6 Trade receivables

	2019 USD	2018 USD
Trade receivables	**133,458,303**	94,232,445

As at 31 March 2019, trade receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above which approximates their fair value at the reporting date. The Company does not hold any collateral as security. Trade and other receivables are all denominated in USD.

The increase in the trade receivables relates to the increase of the sales.

As at 31 March 2019, the ageing analysis of unimpaired trade receivables is as follows:

	2019 USD	2018 USD
Less than 60 days (Not past due, fully performing)	**133,093,344**	94,009,581
More than 60 days (past due but not impaired)	**364,959**	222,864
	133,458,303	94,232,445

The carrying amounts of the Company's trade receivables are denominated in USD. The Company considers the held to collect business model to remain appropriate for these receivables and hence continues to measure them at amortised cost.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable. The carrying values of trade receivables approximates their fair values. The Company does not hold any collateral as security.

As at 31 March 2019, trade receivables of USD 364,959 (2018: USD 222,864) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default and therefore no expected credit loss. The ageing analysis of these trade receivables is as follows:

	2019 USD	2018 USD
Up to 6 months	**287,233**	32,210
6 to 12 months	**77,726**	190,654
	364,959	222,864

As at 31 March 2019, the Company had a concentration of credit risk with seven (2018: six) of the largest customers accounting for 54% (31 March 2018: 60%) of the gross trade receivables. Management is confident that this concentration of credit risk will not result in a loss to the Company as the customers have an established track record of meeting their financial obligations to the Company.

7 Other financial assets at amortised cost

	2019 USD	2018 USD
Due from related parties (Note 11)	**2,995,256**	3,875,461
Deposits	**11,080**	57,700
VAT refundable	**16,793**	3,253
Other receivables	**82,514**	218,657
	3,105,643	4,155,071

As at 31 March 2019, other financial assets at amortised cost do not contain impaired assets.

8 Share capital

	2019 USD	2018 USD
Authorised, issued and fully paid-up capital		
50 shares (2018: 50 shares) of USD 1,000 each	**50,000**	50,000
Contributed capital	**862,286**	862,286
	912,286	912,286

In addition to the subscription of the ordinary share capital, the immediate parent company contributed additional capital of USD 862,286 to the operation of the Company during the period ended 31 March 2013. The amounts have been accounted for as contributed capital.

9 Trade and other payables

	2019 USD	2018 USD
Trade payables	**3,591,170**	3,655,059
Other payables	**27,870**	114,224
Accruals	**6,321,484**	1,580,587
Tax and social security (Note 10)	**4,527**	4,042
	9,945,051	5,353,912

The carrying value of trade and other payables approximates their fair value.

10 Tax and social security

	2019 USD	2018 USD
Withholding tax payable	**2,225**	1,957
Contributions for social security payable	**2,302**	2,085
	4,527	4,042

11 Related party transactions and balances

Related parties include the immediate parent company, ultimate parent companies, companies under common control and key management personnel. During the year, the Company entered into the following significant transactions with related parties at prices and on terms agreed between the related parties:

Transactions with related parties

	2019 USD	2018 USD
Product sales	**13,251,766**	13,255,466
Product purchases	**477,360,478**	325,057,875
Interest income	**-**	99,167
Other income	**210,244**	197,451
Professional charges	**3,189,581**	2,089,616
Others	**(343,986)**	29,750

Related party balances

	2019 USD	2018 USD
Due from related parties		
Immediate parent company	**78,575**	790,600
Companies under the common control of the ultimate parent company		
Novelis Korea	**2,854,459**	3,022,639
Novelis Brasil Ltda (Pindamonhangaba)	**130**	130
Novelis Corporation	**62,092**	62,092
	2,916,681	3,084,861
	2,995,256	3,875,461
Due to related parties		
Immediate parent company	**95,558**	11,418
Companies under the common control of the ultimate parent Company		
Novelis Deutschland GmbH	**8,879,308**	8,652,887
Novelis Korea	**129,096,602**	36,118,402
Novelis Brasil Ltda (Pindamonhangaba)	**398,458**	10,940,245
Novelis AG	**20,793**	-
Novelis Corporation	**105,901**	103,792
	138,596,620	55,826,744

11 Related party transactions and balances (continued)

Amounts due to and due from related parties are unsecured and repayable on demand. Amounts due from related parties do not contain any impaired assets.

The increase in the related parties refers to the increase of the purchase.

The amounts due from Novelis Corporation carry an interest rate of 4.25% per annum as at 31 March 2019 (2018: 4.25%). All other amounts due to and due from related parties are interest free.

Compensation of key management personnel including directors was as follows:

	2019 USD	2018 USD
Salaries	**77,979**	73,930
Provision for employees' end of service benefits (Note 15)	**35,156**	3,452
Allowances and other benefits	**10,781**	7,242
	123,916	84,624

12 Provision for employees' end of service benefits

	2019 USD	2018 USD
At 1 April	**81,629**	62,644
Charge for the year (Note 15)	**35,156**	21,369
Payments during the year	**(6,916)**	(2,384)
At 31 March	**109,869**	81,629

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at 31 March 2019, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. Under this method, an assessment has been made of an employee's expected service life with the Company and the expected basic salary at the date of leaving the service. Management has assumed average increment/promotion cost 5% (2018: 5%). The expected liability at the date of leaving the service has been discounted to its net present value using a discount rate 4.16% (2018: 4.16%) per annum. The present values of the obligations at 31 March 2019 was not materially different from the provision computed in accordance with the UAE Labour Law.

13 Revenue

13 (a) Revenue from contracts with customers

	2019 USD	2018 USD
Timing of revenue recognition		
At a point in time	**526,420,966**	361,479,600

13 (b) Liabilities relating to contracts with customers

The Company has no liabilities related to contracts with customers as at 31 March 2019 and 31 March 2018.

14 Administrative expenses

	2019 USD	2018 USD
Professional charges	**3,524,095**	2,417,005
Staff costs (Note 15)	**754,603**	629,655
Travel and accommodation	**284,842**	219,969
Rent and leases	**182,434**	226,385
Depreciation (Note 5)	**1,134**	249
Others	**1,152,312**	678,067
	5,899,420	4,171,330

15 Staff costs

	2019 USD	2018 USD
Salaries	**401,596**	323,560
Provision for employees' end of service benefits (Note 12)	**35,156**	21,369
Allowances and other benefits	**317,851**	284,726
	754,603	629,655

16 Derivative financial instruments

The Company enters into financial instruments (swaps) with Novelis AG (a related party) to fix the purchase price of aluminium, in order to reduce the risk of adverse price movements, which do not meet the requirements set out in IFRS to be accounted for as hedges. These instruments have therefore been recorded at fair value through profit or loss. Swaps fall under level 2 of the fair value hierarchy. The notional amount of the derivatives at 31 March 2019 was 1,780 tons (2018: Nil). The fair value adjustment (unrealised) recognised in the statement of comprehensive income amounted to USD 466,129 (2017: Nil). The Company's derivatives as at 31 March 2019 were:

	2019 USD	
	Asset	Liability
Swaps	**55,381**	**521,510**

17 Operating lease commitments

The approximate minimum annual rental commitments of the Company under the existing lease agreements are as follows:

	2019 USD	2018 USD
Within one year	**130,230**	116,086
Between two and three years	**132,760**	207,754
	262,990	323,840

18 Impact of changes in accounting policies

IFRS 9, 'Financial instruments' (effective from 1 January 2018)

(i) Classification and measurement of financial assets and financial liabilities

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and financial assets

On 1 January 2018 (the date of initial application of IFRS 9), the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets – 1 January 2018	**Original measurement category under IAS 39**	**New measurement category under IFRS 9**	**Original carrying amount under IAS 39 (USD)**	**New carrying amount under IFRS 9 (USD)**
Closing balance 31 December 2017				
Other receivables	Loans and receivables – at amortised cost	Financial Assets – at amortised cost	279,610	279,610
Due from related parties	Loans and receivables – at amortised cost	Financial Assets – at amortised cost	3,875,461	3,875,461
Cash and cash equivalents	Loans and receivables – at amortised cost	Financial Assets – at amortised cost	25,191,743	25,191,743

Financial liabilities – 1 January 2018	**Original measurement category under IAS 39**	**New measurement category under IFRS 9**	**Original carrying amount under IAS 39 (USD)**	**New carrying amount under IFRS 9 (USD)**
Closing balance 31 December 2017				
Trade and other payables	Other financial liabilities – at amortised cost	Other financial liabilities – at amortised cost	5,353,912	5,353,912
Due to related parties	Other financial liabilities – at amortised cost	Other financial liabilities– at amortised cost	55,826,744	55,826,744