Novelis MEA Ltd.

Directors' report and financial statements for the year ended 31 March 2020

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 2020.

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 aluminum.

Results

The results of the Company for the year ended 31 March 2020 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

26 April 2020

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

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Novelis MEA Ltd. (the "Company") as at 31 March 2020, 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 2020;
- 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. 5 of 2018, 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. 5 of 2018.

PricewaterhouseCoopers
26 April 2020

Douglas O'Mahony
Registered Auditor No. 834
Dubai, United Arab Emirates

Novelis MEA Ltd.

Statement of financial position

	Note	As at 31 March 2020 USD	2019 USD
ASSETS			
Non-current asset			
Property and equipment	5	16,213	1,825
Intangible assets	6	167,541	-
		183,754	1,825
Current assets			
Other financial assets at amortised cost	8	281,278	188,962
Other current assets	9	58,445	-
Trade receivables	7	108,140,206	133,458,303
Derivate financial instruments	14	12,399	55,381
Cash and cash equivalents		40,607,788	106,276,771
		149,100,116	239,979,417
Total assets		149,283,870	239,981,242
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	50,000	50,000
Contributed capital	10	862,286	862,286
Retained earnings		56,760,567	91,843,959
Total equity		57,672,853	92,756,245
LIABILITIES			
Non-current liability			
Provision for employees' end of service benefits	15	137,906	109,869
Current liabilities			
Trade and other payables	11	11,587,040	9,945,051
Contract liabilities	12	493,751	968,628
Derivate financial instruments	14	150,912	521,510
Due to related parties	14	79,241,408	135,679,939
		91,473,111	147,115,128
Total liabilities		91,611,017	147,224,997
Total equity and liabilities		149,283,870	239,981,242

These financial statements were approved by the Board of Directors on 26 April 2020 and signed on its behalf by:

SJ CHA

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Director

Novelis MEA Ltd.

Statement of comprehensive income

	Note	Year ended 31 March 2020 USD	2019 USD
Revenue	16	468,564,495	526,420,966
Cost of sales	17	(427,683,036)	(489,796,808)
Gross profit		40,881,459	36,624,158
Administrative expenses	18	(5,009,144)	(5,899,420)
Derivative financial instruments: losses - net		(1,219,516)	(466,129)
Other income		279,208	225,901
Operating profit		34,932,007	30,484,510
Finance income		700	-
Finance costs	19	(16,099)	(5,741)
Finance cost – net		(15,399)	(5,741)
Profit for the year		34,916,608	30,478,769
Other comprehensive income		-	-
Total comprehensive income for the year		34,916,608	30,478,769

The notes on pages 9 to 24 form 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 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
Comprehensive income				
Profit and total comprehensive income for the year	-	-	34,916,608	34,916,608
Dividends paid	-	-	(70,000,000)	(70,000,000)
As at 31 March 2020	50,000	862,286	56,760,567	57,672,853

Novelis MEA Ltd.

Statement of cash flows

	Note	Year ended 31 March 2020 USD	2019 USD
Cash flows from operating activities			
Profit for the year		34,916,608	30,478,769
Adjustments for:			
Depreciation	5	3,102	1,134
Amortization	6	41,884	-
Provision for employees' end of service benefits	15	28,037	35,156
Fair value losses on derivative financial instruments	14	1,219,516	466,129
Interest and other financing expenses - net	19	15,399	5,741
Operating cash flows before payment of employees' end of service benefits and changes in working capital		36,224,546	30,986,929
Payment of employees' end of service benefits	15	-	(6,916)
Operating cash flows before changes in working capital		36,224,546	30,980,013
Changes in working capital:			
Other financial assets at amortised cost	8	(92,316)	1,049,427
Other current assets	9	(58,445)	129,886
Trade and other payables	11	1,641,989	4,589,113
Contract liabilities	12	(474,877)	796,286
Trade receivables	7	25,318,097	(39,225,858)
Derivate financial instruments		(1,547,132)	-
Due to related parties	14	(56,438,531)	82,769,876
Net cash generated from operating activities		4,573,331	81,088,743
Cash flows from investing activity			
Purchases of property, plant and equipment	5	(17,490)	-
Purchases of intangible assets	6	(209,425)	-
Net cash used in investing activity		(226,915)	-
Cash flows from financing activity			
Dividends paid		(70,000,000)	-
Finance costs paid	19	(15,399)	(3,715)
Net cash used in financing activity		(70,015,399)	(3,715)
Net (decrease) / increase in cash and cash equivalents		(65,668,983)	81,085,028
Cash and cash equivalents at beginning of the year		106,276,771	25,191,743
Cash and cash equivalents at end of the year		40,607,788	106,276,771

The notes on pages 9 to 24 form an integral part of these financial statements.

Novelis MEA Ltd.

Notes to the financial statements for the year ended 31 March 2020

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 aluminum. 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 have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The financial statements have been prepared under the historical cost convention.

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 2019:

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

IFRS 16 was issued in January 2016 and it replaced IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases (i.e. leases with a lease term of 12 months or less). As the Company's lease is short-term in nature, there is no material impact on the financial statements.

There are no other IFRSs or IFRIC interpretations that are effective and would be expected to have a material impact on the financial statements of the Company.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(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 2020 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

2.2 Foreign currency

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). Since the majority of the transactions are denominated in US Dollars ("USD"), the financial statements are presented in USD, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2.3 Property and equipment

Items of 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 Intangible assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design, testing and implementation of identifiable and unique software products, controlled by the Company, are recognised as intangible assets. Directly attributable costs, that are capitalised as part of the software products include the manpower cost incurred in the development of the software and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

2 Summary of significant accounting policies (continued)

2.5 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.

2.6 Financial assets

(i) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(ii) Recognition and de-recognition

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 Company 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.

2.6 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2 Summary of significant accounting policies (continued)

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.

2.8 Trade and other receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, if any. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision 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. The amount of the provision is recognised in the consolidated statement of comprehensive income.

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). If not, they are presented as non-current liabilities.

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

2 Summary of significant accounting policies (continued)

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 End of service gratuity

On 28 August 2019, DIFC issued the DIFC Employment Law NO. 2 of 2019. From 1 February 2020, employers are required to make mandatory monthly contributions to DIFC's default Qualifying Scheme or an alternative regulated Scheme, as opposed to paying a lump sum 'gratuity payment' to an employee at the end of their employment. The Company made its first contribution in April 2020.

2.14 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.

2.15 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.

2.16 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.

3 Summary of significant accounting policies (continued)

2.16 Revenue recognition (continued)

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

- 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.

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.

2.17 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.

2.18 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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

Market risk

The Board of Directors has overall responsibility for the Company 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.

At 31 March 2020 and 2019, the Company did not have borrowings.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to the financial instrument fails to discharge its contractual obligation. Credit risk is mainly atttributable to trade and other receivables, balances due from related parties, derivative financial assets and cash at bank. The Company has no significant concentration 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 place with reputable financial institutions. The Company considers the risk associated with related party balances to be low (Note 4).

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 40,607,788 (2019: USD 106,276,771).

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.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

Liquidity risk (continued)

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 2020			
Trade and other payables	11,587,040	11,587,040	11,587,040
Due to related parties	79,241,408	79,241,408	79,241,408
	90,828,448	90,828,448	90,828,448
31 March 2019			
Trade and other payables	9,945,051	9,945,051	9,945,051
Due to related parties	135,679,939	135,679,939	135,679,939
	145,624,990	145,624,990	145,624,990

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 2020 and 2019 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.

4 Financial instruments by category

	2020 USD	2019 USD
Assets as per statement of financial position		
Trade receivables (Note 7)	108,140,206	133,458,303
Other financial assets at amortised cost (Note 8)	281,278	188,962
Cash and cash equivalents	40,607,788	106,276,771
	149,029,272	239,924,036
Financial asset measured at fair value through profit or loss		
Derivative financial asset (Note 14)	12,399	55,381
Liabilities as per statement of financial position		
Trade and other payables (excluding contract liabilities) (Note 11)	11,587,040	9,945,051
Due to related parties (Note 14)	79,241,408	135,679,939
	90,828,448	145,624,990
Financial liability measured at fair value through profit or loss		
Derivative financial liability (Note 14)	150,912	521,510

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

	2020 USD	2019 USD
Cash at bank		
Externally rated financial assets (Moody's)		
A1	5,050,776	306,434
A2	35,138,692	95,226,579
Aa2	-	10,743,622
Aa3	418,320	-
Aaa	-	136
	40,607,788	106,276,771
Without external rating		
Trade and other receivables (Note 7)	108,140,206	133,551,898
Due from related parties (Note 14)	17,893	78,575
	108,158,099	133,630,473

5 Property and equipment

	Leasehold improvements USD	Office equipment USD	Total USD
Cost			
At 1 April 2018	468,526	188,871	657,397
Additions during the year	-	-	-
Balance at 31 March 2019	468,526	188,871	657,397
Additions during the year	-	17,490	17,490
Balance at 31 March 2020	468,526	206,361	674,887
Accumulated depreciation			
At 1 April 2018	468,526	185,912	654,438
Charge for the year (Note 18)	-	1,134	1,134
At 31 March 2019	468,526	187,046	655,572
Charge for the year (Note 18)	-	3,102	3,102
At 31 March 2020	468,526	190,148	658,674
Net book amount			
At 31 March 2020	-	16,213	16,213
At 31 March 2019	-	1,825	1,825

6 Intangible assets

	Software USD
Cost	
At 1 April 2019	-
Additions during the year	209,425
Balance at 31 March 2020	209,425
Accumulated amortisation	
At 1 April 2019	-
Charge for the year (Note 18)	41,884
At 31 March 2020	41,884
Net book amount	
At 31 March 2020	167,541
At 31 March 2019	-

7 Trade receivables

	2020 USD	2019 USD
Trade receivable	108,140,206	133,458,303

As at 31 March 2020, 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.

As at 31 March 2020 and 2019, the ageing analysis of unimpaired trade receivables is as follows:

	2020 USD	2019 USD
Neither past due nor impaired	106,205,166	118,264,453
Within 1 to 3 months	1,935,038	14,805,614
More than 3 months	-	388,236
	108,140,206	133,458,303

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.

As at 31 March 2020, trade receivables of USD 1,935,039 (2019: USD 364,959) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2020 USD	2019 USD
Up to 6 months	1,935,038	287,233
6 to 12 months	-	77,726
	1,935,038	364,959

As at 31 March 2020, the Company had a concentration of credit risk with eight (2019: seven) of the largest customers accounting for 73% (31 March 2019: 54%) 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.

8 Other financial assets at amortised cost

	2020 USD	2019 USD
Other receivables	225,463	82,514
VAT refundable	42,965	16,793
Deposits	12,850	11,080
Due from related parties (Note 14)	-	78,575
	281,278	188,962

As at 31 March 2020, other financial assets at amortised cost do not contain impaired assets.

9 Other current assets

	2020 USD	2019 USD
Prepayments	58,445	-

10 Share capital

	2020 USD	2019 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.

11 Trade and other payables

	2020 USD	2019 USD
Trade payables	2,587,000	3,591,170
Other payables	733,755	27,870
Accruals	8,261,758	6,321,484
Tax and social security (Note 13)	4,527	4,527
	11,587,040	9,945,051

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

12 Contract liabilities

	2020 USD	2019 USD
Contract liabilities	493,751	968,628

13 Tax and social security

	2020 USD	2019 USD
Withholding tax payable	2,225	2,225
Contributions for social security payable	2,302	2,302
	4,527	4,527

14 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

	2020 USD	2019 USD
Product sales	12,582,248	13,251,766
Product purchases	415,686,686	477,360,478
Other income	276,065	210,244
Professional charges	2,709,597	3,189,581
Others	252,312	343,986

Related party balances

	2020 USD	2019 USD
Due to related parties		
Immediate parent company	233,434	95,558
Companies under the common control of the ultimate parent Company		
Novelis Korea	73,600,146	126,242,143
Novelis Deutschland GmbH	5,522,380	8,879,308
Novelis AG	20,793	20,794
Novelis Corporation	11,851	43,808
Novelis Brasil Ltda (Pindamonhangaba)	51	398,328
	79,241,408	135,679,939

14 Related party transactions and balances (continued)

Amounts due to related parties are unsecured and repayable on demand.

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 falls under level 2 of the fair value hierarchy. The notional amount of the derivatives at 31 March 2020 was USD 1,219,516 (2019: USD 466,127). The Company's derivatives as at 31 March 2020 and 2019 were:

	2020 USD	
	Assets	Liabilities
Swaps	12,399	150,912

	2019 USD	
	Assets	Liabilities
Swaps	55,381	521,510

Compensation of key management personnel is as follows:

	2020 USD	2019 USD
Salaries	94,987	77,979
Provision for employees' end of service benefits	34,709	35,156
Allowances and other benefits	5,926	10,781
	135,622	123,916

15 Provision for employees' end of service benefits

	2020 USD	2019 USD
At 1 April	109,869	81,629
Charge for the year (Note 20)	28,037	35,156
Payments during the year	-	(6,916)
At 31 March	137,906	109,869

15 Provision for employees' end of service benefits (continued)

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 2020, 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% (2019: 5%). The expected liability at the date of leaving the service has been discounted to its net present value using a discount rate 2.28% (2019: 4.16%) per annum. The present values of the obligations at 31 March 2020 was not materially different from the provision computed in accordance with the UAE Labour Law.

16 Revenue

(a) Revenue from contracts with customers

	2020 USD	2019 USD
Timing of revenue recognition		
At a point in time	468,564,495	526,420,966

(b) Liabilities relating to contracts with customers

The Company has advances from customers related to contracts with customers as at 31 March 2020 and 31 March 2019 (Note 12).

17 Cost of sales

	2020 USD	2019 USD
Product purchases	427,683,036	489,796,808

18 Administrative expenses

	2020 USD	2019 USD
Professional charges	2,893,636	3,524,095
Staff costs (Note 20)	1,066,676	754,603
Travel and accommodation	522,659	284,842
Rent	119,781	182,434
Amortisation (Note 6)	41,884	-
Depreciation (Note 5)	3,102	1,134
Others	361,406	1,152,311
	5,009,144	5,899,420

19 Finance costs

	2020 USD	2019 USD
Finance costs	16,099	5,741

20 Staff costs

	2020 USD	2019 USD
Salaries	676,331	401,596
Provision for employees' end of service benefits (Note 15)	28,037	35,156
Allowances and other benefits	362,308	317,851
	1,066,676	754,603

21 Contingencies and commitments

Operating lease commitments

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

	2020 USD	2019 USD
Within one year	289,620	130,230
Between two and three years	-	132,760
	289,620	262,990

22 Subsequent events

Subsequent to year-end 31 March 2020, COVID-19 has grown to a pandemic disease and we have seen macro-economic uncertainty which causes disruption to economic activity. The Company considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Company. The Company will assess the impact on the operations in 2020-2021.