ELECTROSTEEL BAHRAIN HOLDING SPC

CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2019

Shareholder	:	Electrosteel Castings Limited
Office	:	Flat 1, Building 966, Road 5217, Block 952 Ras Zuwayed, Kingdom of Bahrain Telefax: 77322288
Banker	:	Standard Chartered Bank
Auditors	:	KPMG Fakhro

Electrosteel Bahrain Holding SPC

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2019

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REPORT OF THE BOARD OF DIRECTORS
For the year ended 31 March 2019

Bahraini Dinars

In accordance with Article 286 of the Commercial Companies Law, on behalf of the board of directors, I have pleasure in presenting the audited consolidated financial statements of Electrosteel Bahrain Holding SPC (the "Company") and its subsidiary (together the "Group") for the year ended 31 March 2019 as set out on pages 4 to 26.

Financial highlights	2019	2018
Revenue	**3,133,456**	2,990,593
Gross profit	**627,717**	631,023
Profit for the year	**186,935**	277,568
Total assets	**1,365,762**	988,742
Total equity	**841,275**	654,340

Representations and audit

The Group's activities for the year ended 31 March 2019 have been conducted in accordance with the Commercial Companies Law and other relevant statutes of the Kingdom of Bahrain.

There have been no events subsequent to 31 March 2019, which would in any way, invalidate the consolidated financial statements as set out on pages 4 to 26.

The Group has maintained proper and complete accounting records and these, together with all other information and explanations, have been made freely available to the auditors, KPMG Fakhro.

On behalf of the board of directors,

Awadh Shukla

Awadh Prakash Shukla
Director
29 April 2019

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER

Electrosteel Bahrain Holding SPC
Ras Zuwayed, Kingdom of Bahrain

Report on the audit of the consolidated financial statements

Opinion
We have audited the accompanying consolidated financial statements of Electrosteel Bahrain Holding SPC (the "Company") and its subsidiary (together the "Group"), which comprise the consolidated statement of financial position as at 31 March 2019, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information
The board of directors is responsible for the other information. The other information obtained at the date of this auditors' report is the *report of the board of directors* set out on page 1.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, 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.

Responsibilities of the board of directors for the consolidated financial statements
The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group'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 the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated financial statements.

KPMG

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER (continued)

Electrosteel Bahrain Holding SPC
Ras Zuwayed, Kingdom of Bahrain

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.

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

- Conclude on the appropriateness of the board of directors' 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on other regulatory requirements

As required by the Commercial Companies Law, we report that:

a) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
b) the financial information contained in the report of the board of directors is consistent with the consolidated financial statements;
c) we are not aware of any violations during the year of the Commercial Companies Law or the terms of the Company's article of association that would have had a material adverse effect on the business of the Company or on its consolidated financial position; and
d) satisfactory explanations and information have been provided to us by management in response to all our requests.

KPMG

KPMG Fakhro
Partner Registration No. 136
29 April 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

Bahraini Dinars

	Note	2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	5	108,823	124,476
Total non-current assets		**108,823**	124,476
Current assets			
Inventories	6	845,866	636,854
Trade and other receivables	7	321,432	110,469
Cash and cash equivalents	8	89,641	116,943
Total current assets		**1,256,939**	864,266
Total assets		**1,365,762**	988,742
EQUITY AND LIABILITIES			
Equity			
Share capital	1	250,000	250,000
Statutory reserve		60,854	42,160
Retained earnings		530,421	362,180
Total equity (page 6)		**841,275**	654,340
Liabilities			
Non-current liabilities			
Provision for employees' leaving indemnities	9	1,431	1,079
Total non-current liabilities		**1,431**	1,079
Current liabilities			
Due to related parties	10 b)	345,641	266,965
Loan from related parties	10 c)	75,622	-
Trade and other payables	11	101,793	66,358
Total current liabilities		**523,056**	333,323
Total liabilities		**524,487**	334,402
Total equity and liabilities		**1,365,762**	988,742

The consolidated financial statements were approved by the board of directors on 29 April 2019 and signed on its behalf by:

Awadh Shukla

Awadh Prakash Shukla
Director

Shivendra Agarwal

Shivendra Nath Agarwal
Director

The accompanying notes 1 to 19 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

Bahraini Dinars

	Note	2019	2018
REVENUE	12	**3,133,456**	2,990,593
Cost of sales	13	(2,505,739)	(2,359,570)
Gross profit		**627,717**	631,023
Other income		553	983
General and administrative expenses	14	(88,363)	(89,291)
Staff costs	15	(62,954)	(59,742)
Selling and distribution expenses	16	(249,927)	(178,271)
Bank charges		(24,438)	(12,171)
Depreciation	5	(15,653)	(14,963)
Profit for the year		**186,935**	277,568
Other comprehensive income		-	-
Total comprehensive income for the year		**186,935**	277,568

Awadh Shukla

Awadh Prakash Shukla
Director

Shivendra Agarwal.

Shivendra Nath Agarwal
Director

The accompanying notes 1 to 19 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2019 Bahraini Dinars

2019	**Share capital**	**Statutory reserve**	**Retained earnings**	**Total**
At 1 April 2018	250,000	42,160	362,180	654,340
Total comprehensive income for the year (page 5)	-	-	186,935	186,934
Transfer to statutory reserve	-	18,694	(18,694)	-
At 31 March 2019	**250,000**	**60,854**	**530,421**	**841,275**

2018	Share capital	Statutory reserve	Retained earnings	Total
At 1 April 2017	250,000	14,403	112,369	376,772
Total comprehensive income for the year (page 5)	-	-	277,568	277,568
Transfer to statutory reserve	-	27,757	(27,757)	-
At 31 March 2018	250,000	42,160	362,180	654,340

The accompanying notes 1 to 19 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2019 Bahraini Dinars

	Note	2019	2018
OPERATING ACTIVITIES			
Receipts from customers		2,927,181	3,234,332
Payments to suppliers		(2,610,194)	(2,983,377)
Payments for operating expenses		(420,464)	(178,489)
Others income		553	757
Net cash (used in) / generated from operating activities		**(102,924)**	73,223
INVESTING ACTIVITIES			
Payment for acquisition of property, plant and equipment	5	-	(3,775)
Net cash used in investing activities		**-**	(3,775)
FINANCING ACTIVITIES			
Loan availed from a related party during the year	10 c)	376,422	-
Loan repayments to a related party	10 c)	(300,800)	-
Net cash from financing activities		**75,622**	-
Net (decrease) / increase in cash and cash equivalents during the year		**(27,302)**	69,448
Cash and cash equivalents at the beginning of the year		116,943	47,495
Cash and cash equivalents at the end of the year	8	**89,641**	116,943

The accompanying notes 1 to 19 are an integral part of these consolidated financial statements.

1 STATUS AND OPERATIONS

Electrosteel Bahrain Holding SPC (the "Company") is a single person Company registered with the Ministry of Industry, Commerce and Tourism in the Kingdom of Bahrain under commercial registration number 92991-1 on 17 March 2015.

The consolidated financial statements of the Group as at and for the year ended 31 March 2019 comprise the Company and its subsidiary (together referred to as the "Group" and individually as the "Company").

The Company's authorised, issued a fully paid up share capital of BD 250,000 comprising of 2,500 shares of BD 100 each and is held by Electrosteel Casting Limited, India.

The Company is engaged in activities of holding companies.

Subsidiary Company

Electrosteel Bahrain Trading WLL
Electrosteel Bahrain Trading WLL is a limited liability Company registered with the Ministry of Industry, Commerce and Tourism in the Kingdom of Bahrain under commercial registration number 95221-1 on 12 October 2015. The Company is engaged in import, export and sales of ductile iron pipes, fittings and accessories for water transmission.

The financial statements of Electrosteel Bahrain Holding SPC and Electrosteel Bahrain Trading WLL as at the reporting date are consolidated as per IFRS 10. Under IFRS 10, an entity must consolidate an entity, where in substance it controls the entity. Electrosteel Bahrain Trading WLL became the subsidiary of the Company by way of an agreement dated 1 May 2015.

2 BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the Commercial Companies Law.

This is the first set of the Group's consolidated financial statements in which IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* have been applied. Changes to significant accounting policies are described in Note 2 (e).

b) Basis of measurement

The consolidated financial statements have been drawn up from the accounting records of the Group maintained under the historical cost convention.

c) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Bahraini Dinars ("BD"), which is the Group's functional and presentation currency. All financial information presented in the consolidated financial statements has been rounded-off to the nearest Bahraini Dinars.

2 BASIS OF PREPARATION (continued)

d) Principles of consolidation

(i) Subsidiary

The consolidated financial statements include subsidiaries that are controlled by the Group. Control is presumed to exist where more than one half of the subsidiary's voting power is controlled by the Group, or the Group is able to govern the financial and operating policies of subsidiary, or control the removal or appointment of a majority of a subsidiary's board of directors. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-Group balances and transactions, and any recognised gains and losses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with subsidiary are eliminated against the investment in subsidiary. Unrealised losses are eliminated in the same way as recognised gains, but only to the extent that there is no evidence of impairment.

e) Use of estimates and judgements

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

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

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 4.

f) New standards, amendments and interpretations effective from 1 January 2018

The new / revised standards, amendments and interpretations, which became effective on or after 1 January 2018, do not have any material impact on the Group's consolidated financial statements.

(i) IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces *IAS 39 Financial Instruments: Recognition and Measurement.*

The Group has initially applied IFRS 9 from 1 January 2018. Due to the transition options chosen by the Group in applying this standard, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards except for separately presenting impairment loss on trade receivables.

The effect of initially applying this standard has not resulted to an impairment losses recognised on financial assets.

As a result of adopting IFRS 9, the Group has adopted consequential amendments to *IAS 1 Presentation of Financial Statements*, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI.

Additionally, the Group has adopted consequential amendments to *IFRS 7 Financial Instruments:* Disclosures that are applied to disclosures about 2018 but have not been generally applied to comparative information.

2 BASIS OF PREPARATION (continued)

(a) Classification and measurement of financial assets and financial liabilities
IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and on its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

The following table below explain the original classification and measurement categories under IAS 39 and the new classification and measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 April 2018. The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 April 2018 relates solely to the new impairment requirements.

Financial assets at amortised cost	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortised cost	116,943	116,943
Trade and other receivables	Loans and receivables	Amortised cost	103,952	103,952
Total financial assets at amortised cost			**220,895**	**220,895**

(b) Impairment of financial assets
IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and debt instruments at FVOCI, but not equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

(ii) IFRS 15 Revenue from Contracts with Customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The adoption of this standard had no significant impact on the Group's financial statements

g) New standards, amendments and interpretations issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2019, and have not been applied in preparing these financial statements. Those, which are relevant to the Group, are set out below: The Group does not plan to early adopt these standards.

(i) IFRS 16 - Leases
IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including 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.

2 BASIS OF PREPARATION (continued)

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

The Group is in the process of assessing the potential impact on its consolidated financial statements resulting from the adoption of this new standard.

(ii) Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards
As part of its process to make non-urgent but necessary amendments to IFRS, the IASB has issued the Annual Improvements to IFRS Standards 2015–2017 Cycle.

The amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted.

The Group does not expect these improvements to have a significant impact on its consolidated financial statements upon adoption.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Group and consistent with those used in the previous year except for the changes related to the adoption of IFRS 9 *Financial Instruments* and *IFRS 15 Revenue from Contracts with Customers.*

a) Property, plant and equipment

(i) Recognition and measurement
Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of the assets includes the cost of bringing the asset to its present location and condition and the consideration paid for acquiring the assets.

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

When an asset is sold or otherwise retired, the cost and related accumulated depreciation are removed from the accounts and any resultant gain or loss of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in the consolidated statement of profit or loss and other comprehensive income.

(ii) Subsequent measurement
Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is expensed in the consolidated statement of profit or loss and other comprehensive income as incurred.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Depreciation

Depreciation is provided on cost or revalued amounts by the straight-line method at annual rates which are intended to write off the cost or revalued amounts of the assets over their estimated useful lives:

Asset categories	Estimated useful life in years
Leasehold improvements	15
Plant and machinery	3 - 7
Motor vehicles	5
Computer	5
Electrical equipment	4
Furniture, fittings and tools	3 - 10

The residual values and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

b) Impairment of non-financial asset

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its estimated recoverable amount. All impairment losses are recognised in the statement of profit or loss.

The Group considered evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

c) Inventories

Inventories are carried at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses. The cost of inventories is determined on weighted average cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

d) Financial instruments

Non-derivative financial instruments

The Group's non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, due to related parties, loan from related parties and trade and other payables.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Policy applicable from 1 April 2018

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost; FVOCI or FVTPL

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in the profit or loss.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Policy applicable before 1 April 2018

Financial assets

The Group classified all its financial assets into loans and receivables. Subsequently these financial assets are measured at amortised cost using the effective interest method.

Financial liabilities

Liabilities are recognised on an accrual basis for the amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

(iii) Derecognition

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Impairment

Policy applicable from 1 April 2018

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, mainly trade receivables and bank balances.

The Group measures loss allowances on trade receivables at an amount equal to lifetime ECLs ("Simplified approach")

Loss allowances on bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition are measured at 12- month ECLs ("General approach")

When determining whether the credit risk of a financial asset has increased significantly since initial recognition when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the trade receivables is more than 60 days past due from the invoice date.

Lifetime ECL are the ECLs that result from all possible default events over the expected life of the financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

Trade receivables - (Simplified approach)
The Group uses the expected future cash flows based on historical loss rates to measure the ECLs of trade receivables from individual customers. Loss rates are calculated using the discounted cash flow method based on the probability of a receivable being collected over a period of two years or written off.

Discounted cash flows are calculated separately using expected cash flows after adjustment for historical performance. The expected cash flows includes forward looking adjustments. The Group uses the Group's average borrowing rate to discount the expected future cash flows. The model uses probability weighted scenarios when calculating expected credit losses.

Cash and Bank balances- (General approach)
Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The Group assumes that the credit risk on cash and cash equivalents has been increased significantly if it is more than 30 days past due.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 60 days past due from the invoicing date;
- the restructuring of a trade receivables by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off
The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Policy applicable before 1 April 2018

At the end of each reporting date, the Group assesses whether there is objective evidence that financial assets are impaired. A financial asset is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably. The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the profit or loss if the carrying amount of an asset exceeds its recoverable amount.

e) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and balances with banks.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Foreign currency transactions and balances

Transactions in foreign currencies are translated to Bahraini Dinars at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the financial statement date are translated into Bahraini Dinars at the foreign exchange rate ruling at that date. All foreign exchange differences arising on conversion and translation are recognized in the consolidated statement of profit or loss and other comprehensive income.

g) Employee benefits

Short-term employee benefits are recognised in the consolidated statement of profit or loss and other comprehensive income on an accrual basis.

Pensions and other social benefits for *Bahraini employees* are covered by the Social Insurance Organisation's scheme to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Group's contribution to this scheme, which represents a defined contribution scheme under International Accounting Standard 19 – Employee Benefits, is expensed as incurred.

Expatriate employees are entitled to leaving indemnities payable under the Bahrain Labour Law for the Private Sector - Law no. (36) of 2012, based on length of service and final remuneration. Provision for this unfunded commitment which represents a defined benefit plan under International Accounting Standard 19 – Employee Benefits, has been made by calculating the notional liability had all employees left at the reporting date.

h) Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

i) Revenue

Revenue recognition under IFRS 15 (Policy applicable from 1 April 2018)

Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

Revenue from sale of products is recognised at a point in time when customer obtains control over goods. Customer obtains control when the goods are delivered and have been accepted by customers at their premises.

The new standard does not have a significant impact on the Group's consolidated financial statements.

Revenue recognition under IAS 18 (Policy applicable before 1 April 2018)

Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue would be recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

j) Operating lease

An operating lease is a lease other than a finance lease. Operating leases is recognised on a straight line basis over the lease term.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Statutory reserve

The Commercial Companies Law requires 10% of the profit for the year to be transferred to a statutory reserve, which is not normally distributable except in the circumstances stipulated in the Commercial Companies Law. Such transfers may cease once the reserve reaches 50% of share capital.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT IN APPLYING ACCOUNTING POLICIES

The areas involving higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements includes:

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a) Useful life and residual value of property, plant and equipment

The Group reviews the useful life and residual value of the property, plant and equipment at each reporting date to determine whether an adjustment to the useful life and residual value is required. The useful life and residual value is estimated based on the similar assets of the industry, and future economic benefit expectations of the management.

b) Write down of inventories to net realisable value

The Group reviews the carrying amounts of inventories at each reporting date to determine whether the inventories need to be written down to net realisable value. The Group identifies the inventories which have to be written down based on the evaluation of age of the inventory and their estimate of their future consumption. If inventories are assessed for write down, they are charged to the consolidated profit or loss and other comprehensive income.

c) Provision for expected credit losses on trade receivables

Please refer to note 3 f (v)

Bahraini Dinars

5 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Plant and machinery	Computer	Motor vehicle	Electrical equipment	Furniture, fittings and tools	2019 Total
Cost							
At 1 April 2018 and 31 March 2019	**106,891**	**27,902**	**11,496**	**2,750**	**1,946**	**5,395**	**156,380**
Depreciation							
At 1 April 2018	15,002	9,073	5,315	46	919	1,549	31,904
Charge for the year	7,121	4,125	2,352	551	473	1,031	15,653
At 31 March 2019	**22,123**	**13,198**	**7,667**	**597**	**1,392**	**2,580**	**47,557**
Net book value at the end of the year	**84,768**	**14,704**	**3,829**	**2,153**	**554**	**2,815**	**108,823**

NOTES TO THE 2019 CONSOLIDATED FINANCIAL STATEMENTS

5 PROPERTY, PLANT AND EQUIPMENT (continued)

Bahraini Dinars

	Leasehold improvements	Plant and machinery	Computer	Motor vehicle	Electrical equipment	Furniture, fittings and tools	2018 Total
Cost							
At 1 April 2017	109,400	27,902	11,496	-	1,673	4,643	155,114
Additions during the year	-	-	-	2,750	273	752	3,775
Write off	(2,509)	-	-	-	-	-	(2,509)
At 31 March 2018	106,891	27,902	11,496	2,750	1,946	5,395	156,380
Depreciation							
At 1 April 2017	8,107	4,926	2,935	-	490	709	17,167
Charge for the year	7,121	4,147	2,380	46	429	840	14,963
Write off	(226)	-	-	-	-	-	(226)
At 31 March 2018	15,002	9,073	5,315	46	919	1,549	31,904
Net book value at the end of the year	91,889	18,829	6,181	2,704	1,027	3,846	124,476

6 INVENTORIES

	2019	2018
Pipes	584,885	412,462
Fittings and accessories	68,326	79,250
Packing material	3,376	1,780
	656,587	493,492
Goods in transit	189,279	143,362
	845,866	636,854

7 TRADE AND OTHER RECEIVABLES

	2019	2018
Trade receivables	296,323	103,652
Value added tax asset - net	16,275	-
Prepayments	8,181	6,517
Others	653	300
	321,432	110,469

8 CASH AND CASH EQUIVALENTS

	2019	2018
Cash on hand	270	1,539
Bank balances	89,371	115,404
Cash and cash equivalents as per the consolidated statement of cash flows	**89,641**	116,943

9 PROVISION FOR EMPLOYEES' LEAVING INDEMNITIES

	2019	2018
At the beginning of year	1,079	681
Charge for the year (note 15)	768	526
Paid during the year	(416)	(128)
At the end of year	**1,431**	1,079

10 RELATED PARTIES

The Group enters into transaction with entities that within the definition of a related party as contained in International Accounting Standard 24. The management considers such transactions to be in the normal course of business at agreed terms. Related parties comprise the parent, ultimate parent Group, companies under common ownership and shareholders.

a) **Significant transactions with related parties**	**2019**	2018
Purchases from related parties	**2,648,991**	2,223,897
Loan availed from related party	**376,422**	-
Loan repaid to related party	**(300,800)**	-
Sponsorship fee	**11,400**	11,400
Sales to related parties	-	177,914
Expenses incurred by the Group on behalf of the related party	-	3,220

b) **Due to related parties**	***Relationship***	**2019**	2018
Electrosteel Castings Limited, India	*Parent Group*	345,641	266,965
		345,641	266,965

Related party balances are interest free and payable on demand.

c) **Loan from related parties**	**2019**	2018
Availed during the year	376,422	-
Paid during the year	(300,800)	-
At the end of year	**75,622**	-

The above loan is an unsecured loan obtained by the Group from Electrosteel Castings Gulf FZE, UAE, a related party under common control, amounting to BD 376,422 (2018: BD nil), BD 300,800 of which is repaid during the year. The loan bears interest of 5% per annum.

d) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The key management personnel are the directors of the Group and the compensation paid to them during the year was BD 19,680 (2018: BD 19,440).

11 TRADE AND OTHER PAYABLES	**2019**	2018
Trade payables	65,705	39,824
Advances received from customers	29,495	24,807
Accrued expenses and other payables	6,593	1,727
	101,793	66,358

12 REVENUE

	2019	2018
Pipes	2,756,124	2,398,272
Fittings and accessories	377,332	592,321
	3,133,456	2,990,593

13 COST OF SALES

	2019	2018
Pipes	2,293,070	2,021,935
Fittings and accessories	212,669	337,635
	2,505,739	2,359,570

14 GENERAL AND ADMINISTRATIVE EXPENSES

	2019	2018
Rent	45,244	42,750
Sponsorship fee (note 10 (a))	11,400	11,400
Travelling expenses	9,211	13,135
Electricity and water charges	5,855	5,044
Forklift expenses	3,608	1,917
Legal and professional fees	3,000	3,955
Repairs and maintenance	2,215	1,693
Communication charges	1,610	1,921
Others	6,220	7,476
	88,363	89,291

15 STAFF COSTS

	2019	2018
Salaries and related costs	39,808	35,536
Labour wages	7,212	13,048
Accommodation	6,187	4,374
Transportation	3,859	3,041
Leave salary	2,835	2,508
Social insurance	2,285	709
End-of-service benefits (note 9)	768	526
	62,954	59,742

16 SELLING AND DISTRIBUTION EXPENSES

	2019	2018
Transportation and border charges	176,182	142,211
Retainers fee	33,411	20,000
Packing materials	27,000	16,060
Others	13,334	-
	249,927	178,271

17 OPERTAING LEASE COMMITMENTS	**2019**	2018
Future minimum lease payments:		
Not later than one year	47,614	42,750
Later than one year	567,274	614,888
Aggregate operating lease commitments	**614,888**	657,638

18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The table below sets out the Group's classification of each class of financial assets and financial liabilities:

2019	**Financial assets at amortised cost**	**Financial liabilities at amortised cost**	**Total carrying amount**
Assets			
Trade and other receivables (excluding prepayments)	296,976	-	296,976
Cash and cash equivalents	89,641	-	89,641
	386,617	**-**	**386,617**
Liabilities			
Due to related parties	-	345,641	345,641
Loan from related parties	-	75,622	75,622
Trade and other payables (excluding advances received from customers)	-	72,298	72,298
	-	**493,561**	**493,561**

2018	Loans and receivables	Financial liabilities at amortised cost	Total carrying amount
Assets			
Trade and other receivables (excluding prepayments)	103,952	-	103,952
Cash and cash equivalents	116,943	-	116,943
	220,895	-	220,895
Liabilities			
Due to related parties	-	266,965	266,965
Trade and other payables (excluding advances received from customers)	-	41,551	41,551
	-	308,516	308,516

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, practices and processes for measuring and managing risk. The note also presents certain quantitative disclosures in addition to the disclosures throughout the consolidated financial statements.

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management practices are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management practices and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The accounting policies for financial assets and liabilities are described in note 3.

The accounting policies for financial assets and liabilities are described in note 3.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's bank balances and receivables from customers.

(i) The Group limits its exposure to credit risk on bank balances by maintaining balances with banks where the external credit ratings are high. The Group considers that its cash and bank balances have low credit risk based on the external credit ratings of the counterparties. The Group has assessed impairment on cash and cash equivalents based on the 12-month expected loss and has concluded that there is no significant impact due to impairment of cash and bank balances.

(ii) The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However the management also considers the factors that may influence the credit risk of its customers base, including the default risk associated with the industry and country in which customers operate.

The creditworthiness of each customer is evaluated prior to sanctioning of credit facilities. Appropriate procedures for follow-up and recovery are in place to monitor credit risk.

The maximum exposure to credit risk at the reporting date was:

	2019	2018
Trade and other receivables (excluding advances received from customers)	296,976	103,952
Bank balances	89,371	115,404
	386,347	219,356

b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The following are the contractual maturities of financial liabilities:

2019	**Carrying amount**	**Contractual undiscounted cash flows**	**6 months or less**
Due to related parties	345,641	345,641	345,641
Loan from related parties	75,622	79,403	79,403
Trade and other payables (excluding advances received from customers)	72,298	72,298	72,298
	493,561	**497,342**	**497,342**

2018	Carrying amount	Contractual undiscounted cash flows	6 months or less
Due to related parties	266,965	266,965	266,965
Trade and other payables (excluding advances received from customers)	41,551	41,551	41,551
	308,516	308,516	308,516

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

(i) Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to a change in foreign exchange rates. The Group does not have any significant currency risk with respect to transactions in Saudi Riyal, Qatari Riyal, UAE Dirham and US Dollar as the Bahraini Dinar is effectively pegged to Saudi Riyal, Qatari Riyal, UAE Dirham and US Dollar.

(ii) Interest rate risk
Interest rate risk is the risk that the Group's earnings will be affected as a result of fluctuations in the value of financial instruments due to changes in market interest rates.

The Group's exposure to interest rate risk is limited to the loan from a shareholder of BD 75,622 (2018: BD nil). The effective interest rate for the loan from a shareholder is 5% (2017: nil) per annum. The Group is not exposed to significant interest rate risk on the loan from a shareholder as the interest rate is fixed for the period for which this loan is taken.

(iii) Other market price risk
Other market rate risk is the risk that the fair value or future cash flows of the financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factor specific to the individual financial instruments or its issuers, or factors affecting all similar financial instrument traded in the market.

The Group is not exposed to any significant other market risk as at reporting date.

d) Capital Management

The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for the shareholder and benefits to the other stakeholders. The directors monitor the return on capital.

There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

e) Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. Differences can therefore arise between book values under the historical cost method and fair value estimates.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The fair values of financial assets and liabilities of the Group are not materially different from their carrying values.

19 COMPARATIVES

The previous year's figures have been regrouped wherever necessary in order to confirm to the current year is presentation. Such regrouping does not affect the previously reported net assets, total equity or profit or loss and other comprehensive income.