

Electrosteel Doha For Trading (L.L.C.)

Doha - Qatar

Financial Statements and Independent Auditor's Report
for the Year Ended March 31, 2018

Electrosteel Doha For Trading (L.L.C.)

Doha - Qatar

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Independent Auditor's Report

To The Partners' /

Electrosteel Doha For Trading (L.L.C.)

Doha – Qatar

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Electrosteel Doha For Trading (L.L.C.)** which comprise the statement of financial position as at March 31, 2018, and the statement of comprehensive income, statement of changes of equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of financial statements in Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT (Continued)

To The Partners' Electrosteel Doha For Trading (L.L.C.)

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

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 judgment and maintain professional skepticism 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 the 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.

INDEPENDENT AUDITOR'S REPORT (Continued)
To The Partners' Electrosteel Doha For Trading (L.L.C.)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

We communicate with the management 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

Furthermore, as required by the Qatar Commercial Companies Law No. 11 of 2015 we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit, the Company has maintained proper books of account and its financial statements are in agreement therewith. In addition, we report that nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the above mentioned law or the terms of the Company's Articles of Association which would materially affect the required results of its operations or its financial position as at March 31, 2018.

FOR Fuad Abdul Kareem & Partners

Muhanad Shilu
(License No. 233)
Doha - April 22, 2018



Electrosteel Doha For Trading (L.L.C.)

Doha - Qatar

Statement of Financial Position as of March 31, 2018

(Exhibit-A)

<u>Assets</u>	<u>Notes</u>	<u>2018</u>	<u>2017</u>
		<u>QR.</u>	<u>QR.</u>
Cash on Hand and at Bank		568,774	380,329
Accounts Receivable		398,960	633,685
Inventories		611,557	--
Goods in Transit		1,001,122	181,913
Due From Related Parties	4	5,064,495	281,221
Prepaid Expense & Other Debit Balances	5	70,400	29,400
Fixed Assets – Net	6	3,201	4,827
Total Assets		7,718,509	1,511,375
<u>Liabilities & Partners' Equity</u>			
<u>Liabilities</u>			
Accounts Payable		26,024	69,780
Due to Related Party		1,001,122	59,029
Accrued Expenses & Other Credit Balances	7	2,374,472	124,123
Total Liabilities		3,401,618	252,932
<u>Partners' Equity</u>			
Capital	8	200,000	200,000
Statutory Reserve	9	100,000	100,000
Partners Current Account	10	4,016,891	958,443
Total Partners' Equity (Exhibit-C)		4,316,891	1,258,443
Total Liabilities & Partners' Equity		7,718,509	1,511,375

THE ACCOMPANYING NOTES FROM 1 TO 16 FORM AN INTEGRAL
PART OF THESE STATEMENTS

Electrosteel Doha For Trading (L.L.C.)

Doha - Qatar

Statement of Comprehensive Income

For The Year Ended March 31, 2018

(Exhibit – B)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
		<u>QR</u>	<u>QR.</u>
Revenues		16,331,012	3,554,307
Cost of Revenues		(11,867,828)	(2,634,230)
Gross Profit		4,463,184	920,077
General & Administrative Expenses	11	(1,073,238)	(1,084,609)
Depreciation		(2,960)	(3,218)
Net Profit (Loss) of the Year	(Exhibit-C)	3,386,986	(167,750)

**THE ACCOMPANYING NOTES FROM 1 TO 16 FORM AN INTEGRAL
PART OF THESE STATEMENTS**

Electrosteel Doha For Trading (L.L.C.)
Doha – Qatar
Statement of Changes in Partners' Equity
For The Year Ended March 31, 2018
(Exhibit – C)

	Capital	Statutory Reserve	Partners Current Account	Retained Earnings	Total
	Q.R.	Q.R.	Q.R.	Q.R.	Q.R.
Balance as of March 31, 2016	200,000	100,000	1,126,193	--	1,426,193
Net Loss of the Year (Exhibit – B)	--	--	--	(167,750)	(167,750)
Loss transferred to Partners Current Account	--	--	(167,750)	167,750	--
Balance as of March 31, 2017 (Exhibit – A)	200,000	100,000	958,443	--	1,258,443
Net Profit of the Year (Exhibit – B)	--	--	--	3,386,986	3,386,986
Distributed Profits	--	--	3,386,986	(3,386,986)	--
Net Debit Movements on Partners Current Accounts	--	--	(328,538)	--	(328,538)
Balance as of March 31, 2018 (Exhibit – A)	200,000	100,000	4,016,891	--	4,316,891

THE ACCOMPANYING NOTES FROM 1 TO 16 FORM AN INTEGRAL
PART OF THESE STATEMENTS

Electrosteel Doha For Trading (L.L.C.)

Doha - Qatar

Statement of Cash Flows For The
Year Ended March 31, 2018

(Exhibit – D)

	2018	2017
	QR.	QR.
<u>Cash Flows From Operating Activities</u>		
Net Profit (Loss) of the Year	3,386,986	(167,750)
Depreciation	2,960	3,218
Net Cash From (Used In) Operating Activities	3,389,946	(164,532)
Before Changings in Working Capital Items		
Accounts Receivable	234,725	(633,685)
Inventories	(611,557)	980,556
Good in Transit	(819,209)	(181,913)
Due from Related Parties	(4,783,274)	540,271
Prepaid Expenses & Other Debit Balances	(41,000)	4,200
Accounts Payable	(43,756)	(30,032)
Due to Related Party	942,093	(682,942)
Accured Expenses & Other Credit Balances	2,250,349	1,258
Net Cash From (Used In) Operating Activities	518,317	(166,819)
<u>Cash Flows From Investing Activities</u>		
Purchase of Fixed Assets	(1,334)	--
Net Cash Used In Investing Activities	(1,334)	--
<u>Cash Flows From Financing Activities</u>		
Partners Current Account	(328,538)	--
Net Cash Used In Financing Activities	(328,538)	--
Net Increase (Decrease) in Cash	188,445	(166,819)
Cash on Hand & at Bank – April 1,	380,329	547,148
Cash on Hand & at Bank – March 31,	568,774	380,329

THE ACCOMPANYING NOTES FROM 1 TO 16 FORM AN INTEGRAL
PART OF THESE STATEMENTS

Electrosteel Doha For Trading (L.L.C.)

Doha - Qatar

Notes to the Financial Statements

1. Establishment and Objectives

A. Electrosteel Doha For Trading (L.L.C.) registered on September 30, 2012 under commercial registration No. 57450 as Limited Liability Company.

B. The main activity of the company is trading in pipeline materials.

2. Adoption of new and revised International Financial Reporting Standards:

In the current year, the Company has adopted all of the new and revised Standards issued by the International Accounting Financial Reporting Standards Board (the IASB) and the International Financial Reporting Interpretation Committee (IFRIC) of the IASB that are relevant to its operations.

3. Significant Accounting Policies:

A- Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

B - Basis of Preparation

The financial statements have been prepared under the historical cost basis.

The principal accounting policies adopted are set out below.

C- Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized; revenue from the sale of goods is recognized when all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Company, and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

D- Property and Equipment

Property and equipment are stated at cost / revalued amount less accumulated depreciation and any impairment in value.

Depreciation is provided on a straight-line basis over the estimated useful lives. Estimated useful lives of property and equipment are as follows:

	<u>Useful lives</u>
Furniture & Fixtures	7 years
Computer	3 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

E - Financial Instruments

Financial assets and financial liabilities are recognized on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

F - Accounts payables and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

G- Cash and cash equivalents

For the purpose of the cash flows statement, cash and cash equivalents consist of bank balances and cash, net of amounts due to banks.

H- Impairment of Financial Assets

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

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 recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

I - Employees' End of Service Benefits

The Company provides for employees' end of service benefits determined in accordance with the Company's internal policies and the local labor laws based on the employees' salaries and the number of years of service as of the balance sheet date. Applicable benefits are paid to employees on termination of employment. As of the balance sheet date, the Company has no expectation of settling its employees' end of service benefits obligation in the coming year and has classified this as a non-current liability.

J- Inventories

Inventories are stated at the lower of cost and net realizable value. Costs are those expenses incurred in bringing each product to its present location and condition on specific identification basis for items easily identifiable and on a weighted average basis for other items.

Net realizable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

K- Related Parties

These represent transactions with related parties, i.e., the major partners, senior management of the Company and the companies of which they are the principal owners.

The transactions with related parties consist principally of materials purchase & commission on sales. Pricing policies and terms of these transactions are conducted at an arm's length basis.

L- Foreign Currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the exchange rate prevailing at the balance sheet date. Any gain or loss arising from changes in exchange rates is recognized in the consolidated income statement.

M- Provisions

Provisions are recognized when the company has an obligation, legal or constructive, arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

4. Due From Related Party

This item represents the balance of transaction with Electrosteel Castings Ltd, which consists mainly of material purchase & commission received on sales.

5. Prepaid Expenses & Other Debit Balances

This item consists of:

	As of March 31,	
	2018	2017
	QR.	QR.
Due from Staff	40,000	--
Refundable Deposits	30,400	29,400
Total	70,400	29,400

6- Fixed Assets - Net

This item consists of:

	As of March 31, 2018						2017
	Cost at the Beginning of the Year	Additions During the Year	Cost at the End of the Year	Accumulated Depreciation at Beginning of the year	Depreciation of the year	Accumulated Depreciation at Ending of the year	Net Book Value
	QR.	QR.	QR.	QR.	QR.	QR.	Q.R.
Furniture and Fixtures	9,009	1,334	10,343	5,742	1,400	7,142	3,201
Computer	7,128	--	7,128	5,568	1,560	7,128	--
Total	16,137	1,334	17,471	11,310	2,960	14,270	3,201
							4,827

7. Accrued Expenses & Other Credit Balances

This item consists of:

	As of March 31,	
	2018	2017
	QR.	QR.
Advance Payments Received	1,791,247	959
Other Credit Balances	430,057	7,164
Accrued Service Charges	104,000	104,000
Employee's end of Services Benefits	27,168	--
Accrued Expenses	22,000	12,000
Total	2,374,472	124,123

8. Capital

The paid capital consist of:

	No. of Shares	Partnership Percentage	As of March 31,	
			2018	2017
			QR.	QR.
Nasser Jaralla S Jaralla	102	51	102,000	102,000
Electrosteel Castings Ltd. India	98	49	98,000	98,000
Total	200	100%	200,000	200,000

9. Statutory Reserve

In accordance with Qatar Commercial Companies Law No. 11 of 2015 and the Company's Articles of Association, 10% of the net income for the year to be transferred to statutory reserve. This reserve is to be maintained until the reserve equals 50% of the paid capital and is not available for distribution except in circumstances specified in the above Law.

10. Partners Current Account

This item consist mainly of declared profit attributable to:

	As of March 31,		
	2018	2017	Percentage
	QR.	QR.	
Nasser Jaralla S Jaralla	134,475	32,865	3%
Electrosteel Castings Ltd. India	3,882,416	925,578	97%
Total	4,016,891	958,443	100%

11. General & Administrative Expenses

This item consists of:

	For the Year Ended March 31,	
	2018	2017
	QR.	QR.
Salaries	272,568	302,400
Service Charges	312,000	312,000
Rent	200,260	314,860
Telephone & Fax	10,935	11,251
Petrol Expenses	2,473	1,658
Miscellaneous	13,112	13,442
Electricity & Water	1,183	1,215
Postage, Printing & Stationary	5,365	6,119
Governmental Fees	21,810	16,010
Professional Fees	22,000	44,000
Vehicles Rent	35,857	34,625
Bank Charges	135,415	9,854
Staff Welfare	37,618	12,664
Travel Expenses	1,543	4,511
Bad Debts	1,099	--
TOTAL	1,073,238	1,084,609

12. Contingent Liabilities

	As of March 31,	
	2018	2017
	QR.	QR.
Contractual Agreement – Rent Cheques	137,820	326,580

13. Financial Risk Management:

A- Credit risk

The Company's principal financial assets are banks balances and cash, trade and other receivables.

The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counter parties and customers.

	<i>Carrying amounts</i>	<i>1 – 30 Days</i>	<i>30- 90 Days</i>	<i>90 - 360 Days</i>	<i>More than 360 Days</i>
	<i>QR.</i>	<i>QR.</i>	<i>QR.</i>	<i>QR.</i>	<i>QR.</i>
Accounts Receivable	398,960	398,960	--	--	--

B- Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company's foreign currency creditors are payable mainly in US\$ Dollars.

Management is of the opinion that the Company's exposure to currency risk is minimal.

C- Liquidity risk

The Company limits its liquidity risk by ensuring bank facilities are available. The Company's terms of sales require amounts to be settled within its terms of sale. Trade payables are normally settled within the terms of sale of the supplier.

	<i>Carrying amounts</i>	<i>1 – 30 Days</i>	<i>30- 90 Days</i>	<i>90 - 360 Days</i>	<i>More than 360 Days</i>
	<i>QR.</i>	<i>QR.</i>	<i>QR.</i>	<i>QR.</i>	<i>QR.</i>
Accounts Payable	26,024	26,024	--	--	--
Rent Cheques	137,820	15,730	47,190	74,900	--
<i>Total</i>	163,844	41,754	47,190	74,900	--

14. Accounting Estimates and Judgements:

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

15. Fair Value of Financial Instruments:

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties at arms length basis. Since the financial statements have been prepared under the historical cost convention, the carrying value of the Company's financial instruments as recorded could, therefore, be different from the fair value.

The fair values of the financial assets and liabilities are not considered significantly different from their book values, as most of these items are either short-term in nature or repriced frequently.

16. Comparative Figures:

Some comparative figures were reclassified to conform to the current year presentation.