

Electrosteel Doha For Trading (L.L.C.)
Doha - Qatar
Financial Statements And Auditor's Report
For The Year Ended March 31, 2016

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

Doha - Qatar

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فؤاد عبد الكريم و شركاه
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Auditor's Report

To The Partners' /

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

Doha – Qatar

We have audited the accompanying financial statements of Electrosteel Doha For Trading (L.L.C.) as of March 31, 2016 and the statements of income, changes in Partners' equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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an international network of professional business advisors focused on delivering excellence around the world.

We believe that the audit evidences we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Electrosteel Doha For Trading (L.L.C.) as of March 31, 2016 and of its financial performance, changes in partners' equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations which we considered necessary for the purpose of our audit. We further confirm that the financial information included in the Annual Report of the partners is in agreement with the books and records of the company and that we are not aware of any contravention by the company of its Articles of Association, and of the Qatar Commercial Companies Law No. 5 of 2002 during the financial year that would materially affect its activities or its financial position .

FOR Fuad Abdul Kareem & Partners

Muhanad Shilu
(License No.233)
Doha - April 11, 2016

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

Doha - Qatar

Balance Sheet As Of March 31, 2016 (Exhibit-A)

<u>Assets</u>	<u>Notes</u>	<u>2016</u>	<u>2015</u>
<u>Current Assets</u>		<u>QR.</u>	<u>QR.</u>
Cash on Hand and at Bank		547,148	498,966
Inventories		980,556	--
Due From Related Parties	4	821,492	1,309,303
Prepaid Expense & Other Debit Balances	5	201,600	296,700
Total Current Assets		2,550,796	2,104,969
Fixed Assets – Net	6	8,045	10,867
Total Assets		2,558,841	2,115,836
<u>Liabilities & Partners' Equity</u>			
<u>Current Liabilities</u>			
Accounts Payable		99,812	34,594
Post Dated Cheques Payable		168,000	267,300
Due to Related Party		741,971	--
Accrued Expenses & Other Credit Balances	7	122,865	334,365
Total Current Liabilities		1,132,648	636,259
<u>Capital & Partners' Equity</u>			
Capital	8	200,000	200,000
Statutory Reserve	9	100,000	100,000
Partners Current Account	10	1,126,193	1,179,577
Net Partners' Equity (Exhibit-C)		1,426,193	1,479,577
Total Liabilities & Partners' Equity		2,558,841	2,115,836

THE ACCOMPANYING NOTES FROM 1 TO 14 FORM AN INTEGRAL
PART OF THESE STATEMENTS

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

Doha - Qatar

Statement of Income For The
Year Ended March 31, 2016

(Exhibit – B)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
		<u>QR</u>	<u>QR.</u>
Revenues		2,117,920	2,131,898
Cost of Revenues		(914,744)	(227,602)
Gross Profit		1,203,176	1,904,296
General & Administrative Expenses	11	(1,256,973)	(1,023,217)
Other Income		43	--
Net (Loss) Profit of the Year	(Exhibit-C)	<u>(53,754)</u>	<u>881,079</u>

THE ACCOMPANYING NOTES FROM 1 TO 14 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, 2016

(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, 2014	200,000		53,595		430,368		--		683,963	
Net Profit of the Year (Exhibit – B)	--		--		--		881,079		881,079	
Statutory Reserve	--		46,405		--		(46,405)		--	
Declared Profit Distribution	--		--		749,209		(834,674)		(85,465)	
Balance as of March 31, 2015 (Exhibit – A)	200,000		100,000		1,179,577		--		1,479,577	
Net Loss of the Year (Exhibit – B)	--		--		--		(53,754)		(53,754)	
Loss transferred to Partners Current Account	--		--		(53,754)		53,754		--	
Net Credit Movements on Partners Current Account	--		--		370		--		370	
Balance as of March 31, 2016 (Exhibit – A)	200,000		100,000		1,126,193		--		1,426,193	

THE ACCOMPANYING NOTES FROM 1 TO 14 FORM AN INTEGRAL
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Electrosteel Doha For Trading (L.L.C.)

Doha - Qatar

Statement of Cash Flows For The
Year Ended March 31, 2016

(Exhibit – D)

	2016	2015
	QR.	QR.
<u>Cash Flows From Operating Activities</u>		
Net (Loss) Profit of the Year	(53,754)	881,079
Depreciation	2,822	2,947
Net Cash (Used In) From Operating Activities		
Before Changings in Working Capital Items	(50,932)	884,026
Inventories	(980,556)	--
Due from Related Parties	487,811	(691,398)
Prepaid Expenses & Other Debit Balances	95,100	(149,600)
Accounts Payable	65,218	(82,696)
Post Dated Cheques Payable	(99,300)	149,600
Due to Related Party	741,971	--
Accured Expenses & Other Credit Balances	(211,500)	72,027
Net Cash From Operating Activities	47,812	181,959
<u>Cash Flows From Investing Activities</u>		
Fixed Assets Purchase	--	(5,605)
Net Cash Used in Investing Activities	--	(5,605)
<u>Cash Flows From Financing Activities</u>		
Partners Current Account	370	--
Net Cash From Financing Activities	370	--
Net Increase in Cash	48,182	176,354
Cash on Hand & at Bank – April 1,	498,966	322,612
Cash on Hand & at Bank – March 31,	547,148	498,966

THE ACCOMPANYING NOTES FROM 1 TO 14 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 commission on sales & transportation charges. 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., Electrosteel Bahrain Trading W.L.L & Electrosteel Castings Gulf Fze, which consists mainly of commission received on sale.

5. Prepaid Expenses & Other Debit Balances

A. This item consists of:

	As of March 31,	
	2016	2015
	QR.	QR.
Prepaid Expenses Rent	168,000	267,300
Refundable Deposits	33,600	29,400
Total	201,600	296,700

B. The above prepaid expenses rent balance have the same balance of post dated cheques.

6- Fixed Assets - Net

This item consists of:

	2016			2015		
	Cost	Accumulated Depreciation at Beginning of the year	Depreciation of the year	Accumulated Depreciation at Ending of the year	Net Book Value	Net Book Value
	QR.	QR.	QR.	QR.	QR.	Q.R.
Furniture and Fixtures	9,009	3,040	1,351	4,391	4,618	5,969
Computer	7,128	2,230	1,471	3,701	3,427	4,898
Total	16,137	5,270	2,822	8,092	8,045	10,867

7. Accrued Expenses

A. This item consists of:

	As of March 31,	
	2016	2015
	QR.	QR.
Accrued Service Charges	104,000	104,000
Tax Provision	--	85,465
Accrued Audit Fees	12,000	12,000
Accrued Expenses	--	132,900
Advance Payments Received	6,865	--
Total	122,865	334,365

8. Capital

The paid capital consist of the partners

	As of March 31,	
	2016	
	QR.	
Nasser Jaralla S Jaralla	102,000	51%
Electrosteel Castings Ltd. India	98,000	49%
Total	200,000	100%

9. Statutory Reserve:

In accordance with Qatar Commercial Companies Law No. 5 of 2002 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,		
	2016	2015	Percentage
	QR.	QR.	
Nasser Jaralla S Jaralla	37,898	39,511	3%
Electrosteel Castings Ltd. India-Net of tax	1,088,295	1,140,066	97%
Total	1,126,193	1,179,577	100%

11. General & Administrative Expenses

This item consists of:

	For the Year Ended March 31,	
	2016	2015
	QR.	QR.
Salaries	280,516	223,000
Service Charges	312,000	312,000
Rent	456,640	170,800
Marketing & Business Development	30,211	88,838
Depreciation	2,822	2,947
Telephone & Fax	9,736	12,172
Petrol Expenses	1,906	1,538
Miscellaneous	17,300	11,139
Electricity & Water	718	799
Postage, Printing & Stationary	6,067	6,701
Governmental Fees	14,132	21,075
Professional Fees	62,000	112,000
Vehicles Rent	30,783	36,495
Bank Charges	1,535	250
Staff Welfare	17,964	11,403
Travel Expenses	12,643	12,060
TOTAL	1,256,973	1,023,217

12. 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.

B- 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.

C- 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.

13. 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.

14. 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.