# Electrosteel Bahrain Trading WLL

# FINANCIAL STATEMENTS

# 31 MARCH 2016

| | | |
|---|---|---|
| Shareholders | : | Al Moayed Trust WLL<br>Electrosteel Bahrain Holding SPC |
| Office | : | Flat 1201, Building 574,<br>Road 31, Block 611<br>Al Hamriya, Kingdom of Bahrain<br>Telephone: 77322288<br>Fax : 77322299 |
| Bankers | : | Standard Chartered Bank |
| Auditors | : | KPMG Fakhro |

**Electrosteel Bahrain Trading WLL**

**FINANCIAL STATEMENTS**
**For the period from 12 October 2015 to 31 March 2016**

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## REPORT OF THE BOARD OF DIRECTORS
For the period from 12 October 2015 to 31 March 2016

Bahraini Dinars

In accordance with Article 286 of the Bahrain Commercial Companies Law 2001, on behalf of the board of directors, we have pleasure in presenting the audited financial statements of Electrosteel Bahrain Trading WLL (the "Company") for the period from 12 October 2015 to 31 March 2016 as set out on pages 4 to 20.

| Financial highlights | 31 March 2016 (6 months) |
|---|---|
| Revenue | 392,282 |
| Loss for the period | 17,257 |
| Total assets | 1,384,115 |
| Total equity | 232,743 |

### Representations and audit

The Company's activities for the period from 12 October 2015 to 31 March 2016 have been conducted in accordance with the Bahrain Commercial Companies Law 2001 and other relevant statutes of the Kingdom of Bahrain.

There have been no events since 31 March 2016 which would in any way invalidate the financial statements as set out on pages 4 to 20.

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

Mr. Piush Lohia
*Director*

Mr. Awadh Prakash Shukla
*Director*

4 May 2016

KPMG Fakhro
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## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

**Electrosteel Bahrain Trading WLL**
Al Hamriya, Kingdom of Bahrain

### Report on the financial statements

We have audited the accompanying financial statements of Electrosteel Bahrain Trading WLL (the "Company"), which comprise the statement of financial position as at 31 March 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period from 12 October 2015 to 31 March 2016, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Responsibility of the board of directors for the financial statements*
The board of directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the board of directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' 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 about 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 our 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, we consider 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.

We believe that the audit evidence 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 the Company as at 31 March 2016, and its financial performance and its cash flows for the period from 12 October 2015 to 31 March 2016 in accordance with International Financial Reporting Standards.

### Report on other regulatory requirements

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

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

KPMG

KPMG Fakhro
Partner Registration No. 136
4 May 2016

## STATEMENT OF FINANCIAL POSITION
As at 31 March 2016

Bahraini Dinars

| | Note | 2016 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | 5 | 149,074 |
| **Total non-current assets** | | **149,074** |
| **Current assets** | | |
| Inventories | 6 | 815,717 |
| Trade and other receivables | 7 | 376,718 |
| Due from a related party | 8 b) | 13,715 |
| Cash and cash equivalents | 9 | 28,891 |
| **Total current assets** | | **1,235,041** |
| **Total assets** | | **1,384,115** |
| **EQUITY AND LIABILITIES** | | |
| **Equity** | | |
| Share capital | 1 | 250,000 |
| Accumulated losses | | (17,257) |
| **Total equity** (page 5) | | **232,743** |
| **Liabilities** | | |
| **Non-current liabilities** | | |
| Provision for employees' leaving indemnities | 10 | 143 |
| **Total non-current liabilities** | | **143** |
| **Current liabilities** | | |
| Loan from a related party | 8 d) | 109,573 |
| Due to related parties | 8 c) | 996,548 |
| Trade and other payables | 11 | 45,108 |
| **Total current liabilities** | | **1,151,229** |
| **Total liabilities** | | **1,151,372** |
| **Total equity and liabilities** | | **1,384,115** |

Mr. Piush Lohia
*Director*

Mr. Awadh Prakash Shukla
*Director*

The board of directors approved the financial statements consisting of pages 4 to 20 on 4 May 2016.

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
**For the period from 12 October 2015 to 31 March 2016** Bahraini Dinars

| | Note | 2016 (6 months) |
|---|---|---|
| **REVENUE** | 12 | **392,282** |
| Cost of sales | 13 | (260,788) |
| Direct costs | 14 | (32,431) |
| **Gross profit** | | **99,063** |
| General and administrative expenses | 15 | (45,849) |
| Staff costs | 16 | (26,691) |
| Pre-operating expenses | | (40,806) |
| Selling and distribution expenses | | (648) |
| Depreciation | 5 | (2,326) |
| **Loss for the period** | | **(17,257)** |
| Other comprehensive income | | - |
| **Total comprehensive income for the period** | | **(17,257)** |

Lohia

Mr. Piush Lohia
*Director*

Awadh Shukla

Mr. Awadh Prakash Shukla
*Director*

The board of directors approved the financial statements consisting of pages 4 to 20 on 4 May 2016.

## STATEMENT OF CHANGES IN EQUITY
**For the period from 12 October 2015 to 31 March 2016** Bahraini Dinars

| **2016** | **Share capital** | **Accumulated losses** | **Total** |
|---|---|---|---|
| Share capital introduced | 250,000 | - | 250,000 |
| Total comprehensive income for the period (page 4) | - | (17,257) | (17,257) |
| **At 31 March 2016** | **250,000** | **(17,257)** | **232,743** |

## STATEMENT OF CASH FLOWS
**For the period from 12 October 2015 to 31 March 2016** Bahraini Dinars

| | Note | 2016 (6 months) |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Receipts from customers | | 20,026 |
| Payments to suppliers | | (91,088) |
| Payments for pre-operating expenses | | (40,806) |
| Payments for operating expenses | | (67,414) |
| **Net cash flows used in operating activities** | | **(179,282)** |
| **INVESTING ACTIVITIES** | | |
| Payment for acquisition of property, plant and equipment | 5 | (151,400) |
| **Net cash flows used in investing activities** | | **(151,400)** |
| **FINANCING ACTIVITIES** | | |
| Share capital introduced (page 5) | | 250,000 |
| Loan availed from a related party | 8 d) | 109,573 |
| **Net cash flows generated from financing activities** | | **359,573** |
| **Net increase in cash and cash equivalents during the period** | | **28,891** |
| **Cash and cash equivalents at 31 March** | 9 | **28,891** |

## 1 STATUS AND OPERATIONS

Electrosteel Bahrain Trading WLL (the "Company") is a limited liability Company registered with the Ministry of Industry and Commerce in the Kingdom of Bahrain under commercial registration number 95221-1 on 12 October 2015.

The Company's authorized, issued and fully paid up share capital is BD 250,000, divided into 5000 shares of BD 50 each and are held as follows:

| Shareholders | Number of shares | Share capital (BD) | Shareholding (%) |
|---|---|---|---|
| Al Moayed Trust WLL | 2550 | 127,500 | 51 |
| Electrosteel Bahrain Holding SPC | 2450 | 122,500 | 49 |
| **Total** | **5000** | **250,000** | **100** |

The Company is engaged in import and export related to trading in ductile iron pipes, fittings and accessories for water transmission.

## 2 BASIS OF PREPARATION

The financial statements have been prepared for the period from 12 October 2015 to 31 March 2016. These are the first financial statements of the Company and accordingly no comparatives have been presented.

### a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the Bahrain Commercial Companies Law 2001.

### b) Basis of measurement

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

### c) Functional and presentation currency

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

### d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs 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 financial statements are described in note 4.

2 *BASIS OF PREPARATION (continued)*

**e) New standards, amendments and interpretations effective on or after 1 January 2016**

The new / revised standards, amendments and interpretations, which became effective on or after 1 January 2016, do not have any material impact on the Company's financial statements.

**f) 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 2016, and have not been applied in preparing these financial statements. Those, which are relevant to the Company, are set out below. The Company does not plan to early adopt these standards.

*(i) IFRS 9 - Financial Instruments*
IFRS 9 published in July 2016, replaces the existing IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 9.

*(ii) IFRS 15 - Revenue from Contracts with Customers*
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

*(iii) Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation*
The amendments to IAS 16 prohibit entities from using a revenue based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted if the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016.

The above amendments do not have any material impact on the financial statements of the Company.

*(iv) Annual improvements to IFRSs 2012-2015 Cycle*
The annual improvements to IFRSs to 2012-2015 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual years beginning on or after 1 January 2016; earlier application is permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.

The amendments are not expected to have any material impact on the financial statements of the Company.

*2 BASIS OF PREPARATION (continued)*

*(v) Disclosure initiative (Amendment to IAS 1)*

The amendments to *IAS 1 Presentation of Financial Statements* are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including, materiality, disaggregation and subtotals, notes and other comprehensive income (OCI) arising from investment accounted for under equity method.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements by the Company.

### 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 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 statement of profit or loss and other comprehensive income as incurred.

*(iii) Depreciation*

Depreciation is recognised in the statement of profit or loss and other comprehensive income on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives of the property, plant and equipment are as follows:

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

*3 SIGNIFICANT ACCOUNTING POLICIES (continued)*

All depreciation and impairment allowances are charged to the statement of profit or loss and other comprehensive income. The residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

**b) 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.

**c) Non-derivative financial instruments**

The Company deals only in non-derivative financial instruments. Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, due from related party, due to related parties, loan from a related party and trade and other payables.

*(i) Receivables*
Receivables are initially recorded at invoiced amounts, which represent the fair value of goods sold / services rendered. Subsequent to initial recognition, trade and other receivables are stated at cost, less impairment allowance if any.

*(ii) Cash and cash equivalents*
Cash and cash equivalents comprise balances with banks.

*(iii) Payables*
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.

*(iv) Other non-derivative financial instruments*
Other non-derivative financial instruments are measured at amortised cost.

**d) Employees' benefits**

Short-term employee benefits are recognised in the 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 Organization's scheme to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Company'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 as per contractual agreements and 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.

*3 SIGNIFICANT ACCOUNTING POLICIES (continued)*

**e) Provisions**

A provision is recognised in the statement of financial position when the Company 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.

**f) Impairment**

*(i) Financial assets*
Each financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial assets is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset. If any such evidence exists, the asset's recoverable amount is estimated and 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 and other comprehensive income.

*(ii) Non-financial assets*
The carrying amounts of the Company'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 and other comprehensive income.

**g) 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 reporting 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 recognised in the statement of profit or loss and other comprehensive income.

**h) Revenue**

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.

**i) 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.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT IN APPLYING ACCOUNTING POLICIES

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

*4 SIGNIFICANT ACCOUNTING POLICIES (continued)*

**a) Impairment of receivables**

The Company reviews the carrying amounts of the receivables at each reporting date to determine whether the receivables have been impaired. The Company identifies the receivables, which have been impaired based on among other factors, the age of the receivables, the receivables recoverable amount is estimated based on past experience and estimated cash flows.

**b) Write down of inventories to net realisable value**

The Company 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 Company 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 profit or loss and other comprehensive income.

**c) Useful life and residual value of property, plant and equipment**

The Company 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.

Bahraini Dinars

## 5 PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements | Plant and machinery | Computer | Electrical equipment | Furniture, fittings and tools | 2016 Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Additions during the period | 109,400 | 27,761 | 11,138 | 1,673 | 1,428 | 151,400 |
| **At 31 March** | **109,400** | **27,761** | **11,138** | **1,673** | **1,428** | **151,400** |
| **Depreciation** | | | | | | |
| Charge for the period | 819 | 782 | 566 | 77 | 82 | 2,326 |
| **At 31 March** | **819** | **782** | **566** | **77** | **82** | **2,326** |
| **Net book value at the end of the period** | **108,581** | **26,979** | **10,572** | **1,596** | **1,346** | **149,074** |

NOTES TO THE 2016 FINANCIAL STATEMENTS — Bahraini Dinars

## 6 INVENTORIES

| | 2016 |
|---|---|
| Pipes | 766,914 |
| Fittings and accessories | 43,741 |
| Goods in transit | 2,762 |
| Packing material | 2,300 |
| | **815,717** |

## 7 TRADE AND OTHER RECEIVABLES

| | 2016 |
|---|---|
| Trade receivables | 375,505 |
| Prepayments | 950 |
| Others | 263 |
| | **376,718** |

## 8 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties comprise the shareholders of the Company, directors and such other entities over which the Company or its shareholders can exercise significant influence or can be significantly influenced by those entities. Transactions with related parties were carried out in the normal course of business at agreed terms.

| **a) Significant transactions with related parties** | **2016** |
|---|---|
| Purchases from related parties | **1,005,034** |
| Sales to related parties | **16,777** |
| Loan availed from related party | **109,573** |
| Expenses incurred by related parties on behalf of the Company | **5,374** |
| Expenses incurred by the Company on behalf of the related party | **10,798** |

| **b) Due from a related party** | ***Relationship*** | **2016** |
|---|---|---|
| Electrosteel Castings Gulf FZE, UAE | *Common shareholding* | 13,715 |
| | | **13,715** |

| **c) Due to related parties** | ***Relationship*** | **2016** |
|---|---|---|
| Electrosteel Castings LTD, India | *Common shareholding* | 994,236 |
| Electrosteel Doha Trading LLC, Qatar | *Common shareholding* | 2,312 |
| | | **996,548** |

| **d) Loan from a related party** | **2016** |
|---|---|
| Availed during the period | 109,573 |
| **At 31 March** | **109,573** |

NOTES TO THE 2016 FINANCIAL STATEMENTS Bahraini Dinars

*8 RELATED PARTY TRANSACTIONS (continued)*

| | 2016 |
|---|---|
| Current portion | 109,573 |
| | **109,573** |

The above loan is an unsecured loan obtained by the Company from Electrosteel Castings Gulf FZE, UAE, a related party amounting to BD 109,573 which is payable on demand and is interest free.

## 9 CASH AND CASH EQUIVALENTS

| | 2016 |
|---|---|
| Bank balances | 28,891 |
| **Cash and cash equivalents as per the statement of cash flows** | **28,891** |

## 10 PROVISION FOR EMPLOYEES' LEAVING INDEMNITIES

| | 2016 |
|---|---|
| Charge for the period (note 16) | 143 |
| **At 31 March** | **143** |

## 11 TRADE AND OTHER PAYABLES

| | 2016 |
|---|---|
| Trade payables | 35,015 |
| Accrued expenses and other payables | 6,844 |
| Advances received from customers | 3,249 |
| | **45,108** |

## 12 REVENUE

| | 2016 (6 months) |
|---|---|
| Pipes | 306,702 |
| Fittings and accessories | 85,580 |
| | **392,282** |

NOTES TO THE 2016 FINANCIAL STATEMENTS | Bahraini Dinars

## 13 COST OF SALES

| | 2016 (6 months) |
|---|---|
| Pipes | 220,631 |
| Fittings and accessories | 40,157 |
| | **260,788** |

## 14 DIRECT COSTS

| | 2016 (6 months) |
|---|---|
| Transportation | 22,479 |
| Packing materials | 8,189 |
| Others | 1,763 |
| | **32,431** |

## 15 GENERAL AND ADMINISTRATIVE EXPENSES

| | 2016 (6 months) |
|---|---|
| Rent | 21,044 |
| Forklift expenses | 5,220 |
| Sponsorship fee | 4,750 |
| Legal and professional fee | 4,599 |
| Travelling expenses | 4,340 |
| Electricity and water charges | 2,398 |
| Communication charges | 1,253 |
| Repairs and maintenance | 868 |
| Others | 1,377 |
| | **45,849** |

## 16 STAFF COSTS

| | 2016 (6 months) |
|---|---|
| Salaries and related costs | 9,923 |
| Labour wages | 8,258 |
| Transportation | 3,025 |
| Accommodation | 1,943 |
| Bonus | 450 |
| End of service benefits (note 10) | 143 |
| Social insurance | 369 |
| Others | 2,580 |
| | **26,691** |

## 17 OPERATING LEASE COMMITMENTS

| | 2016 |
|---|---|
| Future minimum lease payments: | |
| Not later than one year | 47,475 |
| Later than one year | 664,438 |
| **Aggregate operating lease commitments** | **711,913** |

## 18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

| 2016 | Loans and receivables | Financial liabilities at amortised cost | Total carrying amount |
|---|---|---|---|
| **Assets** | | | |
| Trade and other receivables (excluding prepayments) | 375,768 | - | 375,768 |
| Cash and cash equivalents | 28,891 | - | 28,891 |
| Due from a related party | 13,715 | - | 13,715 |
| | **418,374** | **-** | **418,374** |
| **Liabilities** | | | |
| Due to related parties | - | 996,548 | 996,548 |
| Loan from a related party | - | 109,573 | 109,573 |
| Trade and other payables | - | 45,108 | 45,108 |
| | - | **1,151,229** | **1,151,229** |

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

- Credit risk
- Liquidity risk
- Market risk

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

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

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

*18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)*

**a) Credit risk**

Credit risk is the risk that one party to the financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on its trade and other receivables, due a related party and bank balances.

*(i)* The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Geographically the concentration of credit risk is in the GCC as majority of the Company's customers are based in GCC, hence having less of an influence on the credit risk.

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

*(iii)* The Company limits its exposure to credit risk on bank balances by maintaining balances with banks having high credit ratings. Given these high credit ratings, the Company does not expect any bank to fail to meet its obligations.

*(iv)* Amount due from a related party pertains to the company with common management and therefore the Company is exposed to a very limited credit risk on this amount.

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

| | **2016** |
|---|---|
| Trade and other receivables (excluding prepayments) | 375,768 |
| Bank balances | 28,891 |
| Due from related party | 13,715 |
| | **418,374** |

*(v) Impairment losses*

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of financial assets. The maximum credit risk exposure on financial assets is the carrying value, which is net of specific provision.

The ageing of the trade receivables at the reporting date was:

| | **Gross 2016** | **Impairment 2016** |
|---|---|---|
| Not past due (0 – 90 days) | 375,505 | - |
| | **375,505** | - |

**b) Liquidity risk**

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

The Company'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 Company's reputation.

*18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)*

The following are the contractual maturities of financial liabilities:

| **2016** | **Carrying amount** | **Contractual undiscounted cash flows** | **6 months or less** |
|---|---|---|---|
| Due to related parties | 996,548 | 996,548 | 996,548 |
| Loan from a related party | 109,573 | 109,573 | 109,573 |
| Trade and other payables | 45,108 | 45,108 | 45,108 |
| | **1,151,229** | **1,151,229** | **1,151,229** |

**c) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and equity prices will affect the Company'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 Company does not have any significant currency risk with respect to transactions in Qatari Riyal, UAE Dirham and US Dollar as the Bahraini Dinar is effectively pegged to Qatari Riyal, UAE Dirham and US Dollar.

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

As at reporting date, the Company is not exposed to any interest rate risk as the Company does not have any interest bearing financial instruments.

*(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 Company is not exposed to any significant other market risk as at reporting date.

**d) Capital management**

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

There were no changes in the Company's approach to capital management during the period. The Company 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 Company has access at that date. The fair value of a liability reflects its non-performance risk.

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 Company are not materially different from their carrying values.