

ELECTROSTEEL DOHA FOR TRADING L.L.C.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2022



MOORE

مورسٲيفنز وشركاه - محاسبون قانونيون
Moore Stephens and Partners
Certified Public Accountants

An Independent Member Firm of Moore Global Network Limited

ELECTROSTEEL DOHA FOR TRADING L.L.C.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT AS AT AND FOR THE YEAR ENDED 31 MARCH 2022

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INDEPENDENT AUDITOR'S REPORT

**To the Shareholders
Electrosteel Doha For Trading L.L.C.
Doha, State of Qatar**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Electrosteel Doha For Trading L.L.C.** (the "Company"), which comprise the statement of financial position as at 31 March 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2022, 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 the 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 other ethical requirements that are relevant to our audit of the Company's financial statements in the State of Qatar, 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.

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 the applicable provisions of Qatar Commercial Companies Law, and the Company's Articles of association 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.

Management is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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 a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Further, as required by the Qatar Commercial Companies Law, we report the following:

- We are of the opinion that proper books of account were maintained by the Company and physical inventory verification has been duly carried out.
- We obtained all the information and explanations which we considered necessary for the purpose of our audit.
- To the best of our knowledge and belief and according to the information given to us, no contraventions of the applicable provisions of Qatar Commercial Companies Law and the Company's Articles of Associations were committed during the year which would materially affect the Company's financial position or its financial performance.

مورستيفنز وشركاه محاسبون قانونيون
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Certified Public Accountants
An Independent Member Firm of
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Licence No. 27 - P.O. Box : 17085 Doha, Qatar

Fathi Abu Farah
Partner

Moore Stephens and Partners

Qatari Auditors' Registration Number (294)

28 April 2022
Doha, State of Qatar

ELECTROSTEEL DOHA FOR TRADING L.L.C.

STATEMENT OF FINANCIAL POSITION


AS AT 31 MARCH 2022

	Note	2022 QR	2021 QR
ASSETS			
Non-current asset			
Equipment	4	4,890	5,484
Total non - current asset		4,890	5,484
Current assets			
Inventories	5	6,285,922	12,919,901
Due from related parties	16	10,969,000	3,671,850
Trade and other receivables	6	8,323,425	18,360,236
Cash and bank balances	7	982,546	3,623,660
Total current assets		26,560,893	38,575,647
TOTAL ASSETS		26,565,783	38,581,131
EQUITY AND LIABILITIES			
Equity			
Share capital	8	200,000	200,000
Legal reserve	9	100,000	100,000
Shareholders' current accounts	16	1,890,843	9,641,291
Retained earnings		18,005,139	13,501,416
Total Equity		20,195,982	23,442,707
Liabilities			
Non-current liability			
Employees' end of service benefits	10	53,982	49,352
Current liabilities			
Due to a bank	11	1,601,317	1,442,047
Due to related parties	16	364,000	8,882,918
Trade and other payables	12	4,350,502	4,764,107
Total current liabilities		6,315,819	15,089,072
Total liabilities		6,369,801	15,138,424
TOTAL EQUITY AND LIABILITIES		26,565,783	38,581,131

The attached notes from 1 to 20 are an integral part of these financial statements.

The financial statements as at and for the year ended 31 March 2022 were approved and authorize for issuance by the General Manager of the Company on behalf of the shareholders for issue on 5 May 2022.

Shivendra Nath Agarwal
Shivendra Nath Agarwal
General Manager



ELECTROSTEEL DOHA FOR TRADING L.L.C.**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022**

	<i>Note</i>	2022 QR	2021 QR
Revenue from contract with customers	13	69,211,848	92,256,983
Cost of revenue	14	(61,338,559)	(81,775,013)
Gross profit		7,873,289	10,481,970
Other income		127,400	127,400
General and administrative expenses	15	(3,496,966)	(4,298,057)
Profit for the year		4,503,723	6,311,313
Other comprehensive income		—	—
Total comprehensive income for the year		4,503,723	6,311,313

The attached notes from 1 to 20 are an integral part of these financial statements.

ELECTROSTEEL DOHA FOR TRADING L.L.C.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

2022	Share capital QR	Legal reserve QR	Shareholders' current account QR	Retained earnings QR	Total QR
As at 1 April 2021	200,000	100,000	9,641,291	13,501,416	23,442,707
Total comprehensive income for the year	—	—	—	4,503,723	4,503,723
Movement in shareholders' current account	—	—	(7,750,448)	—	(7,750,448)
As at 31 March 2022	200,000	100,000	1,890,843	18,005,139	20,195,982
2021					
As at 1 April 2020	200,000	100,000	10,321,087	7,190,103	17,811,190
Total comprehensive income for the year	—	—	—	6,311,313	6,311,313
Movement in shareholders' current account	—	—	(679,796)	—	(679,796)
As at 31 March 2021	200,000	100,000	9,641,291	13,501,416	23,442,707

The attached notes from 1 to 20 are an integral part of these financial statements.

ELECTROSTEEL DOHA FOR TRADING L.L.C.**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022**

	<i>Note</i>	2022 QR	2021 QR
OPERATING ACTIVITIES			
Profit before income tax		4,503,723	6,311,313
Adjustments for:			
Depreciation of equipment	4	2,544	829
Employees' end of service benefits	10	8,009	7,735
Operating profit before working capital changes		4,514,276	6,319,877
Change in:			
Inventories		6,633,979	(5,302,558)
Due from related parties		(7,297,150)	63,700
Trade and other receivables		10,036,811	6,981,481
Due to related parties		(8,518,918)	(3,640,523)
Trade and other payables		(413,605)	580,613
Cash generated from operating activities		4,955,393	5,002,590
Employees' end of service benefits paid	10	(3,379)	—
Net cash generated from operating activities		4,952,014	5,002,590
INVESTING ACTIVITY			
Purchase of equipment	4	(1,950)	(4,800)
Net cash used in investing activity		(1,950)	(4,800)
FINANCING ACTIVITIES			
Net movement in due to a bank		159,270	(1,630,712)
Net movement in shareholders' current accounts		(7,750,448)	(679,796)
Net cash used in financing activities		(7,591,178)	(2,310,508)
(Decrease)/Increase in cash and bank balances		(2,641,114)	2,687,282
Cash and bank balances at the beginning of the year		3,623,660	936,378
Cash and bank balances at the end of the year	7	982,546	3,623,660

The attached notes from 1 to 20 are an integral part these financial statements.

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

1. Legal status and principal activities

Electrosteel Doha for Trading L.L.C. (the “Company”) was established in the State of Qatar under commercial registration number 57450, pursuant to the provisions of Qatar Commercial Companies Law. The Company is owned by Electrosteel Castings Limited, a public limited company in India engaged in the manufacture and supply of ductile iron, ductile iron fittings, and cast iron.

The principal activity of the Company is trading in pipeline materials.

The registered office address of the Company is P.O. Box No. 80368, Wakra, State of Qatar.

2. Adoption of new and revised International Financial Reporting Standards (IFRS)

2.1 New and amended IFRS adopted by the Company

The financial statements have been drawn up based on accounting standards, interpretations and amendments effective at 1 April 2021. The Company has adopted the following new and revised Standards and Interpretations issued by International Accounting Standards Board and the International Financial Reporting Interpretations Committee, which were effective for the current accounting period:

- In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. With publication of the phase two amendments, the IASB has completed its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). Effective for annual periods commencing on or after 1 January 2021.
- The amendment to IFRS 16 will provide relief to lessees for accounting for rent concessions from lessors specifically arising from the covid-19 pandemic. While lessees that elect to apply the practical expedient do not need to assess whether a concession constitutes a modification, lessees still need to evaluate the appropriate accounting for each concession as the terms of the concession granted may vary. Effective for annual periods beginning on or after 1 April 2021

The Management believes the adoption of the above amendments has not had any material impact on the recognition, measurement, presentation and disclosure of items in the financial statements for the current accounting period

2.2 New and amended IFRS which are in issue but not yet effective

At the end of the reporting period, the following significant new and revised standards were in issue but not yet effective:

- IFRS 17 ‘Insurance contracts’ establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. IFRS 17 is effective for annual periods commencing on or after 1 January 2023.
- Amendments to IAS 1 ‘Presentation of financial statements’ clarifies requirements for the presentation of liabilities in the statement of financial position as current or non-current. The meaning of settlement of a liability is also clarified. The amendments are applicable for annual periods commencing on or after 1 January 2023.
- Amendments to IAS 1 ‘Presentation of Financial Statements’ and IAS 8 ‘Accounting policies, changes in accounting estimates and errors’ have clarified the definition of ‘material’ and aligned the definition used in the Conceptual Framework and the standards. Effective for annual periods beginning on or after 1 January 2023.
- The amendments are intended to update a reference to the Conceptual Framework without significantly changing requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the Conceptual Framework in use. Effective for annual periods beginning on or after 1 January 2022.

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)

2.2 New and amended IFRS which are in issue but not yet effective (Continued)

At the end of the reporting period, the following significant new and revised standards were in issue but not yet effective:

- Amendments to IAS 16 'Property, plant and equipment' require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related costs in profit or loss, instead of deducting the amounts received from the cost of the asset. The amendments are applicable for annual periods commencing on or after 1 January 2022.
- Amendments to IFRS 3 'Business combinations' update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments are applicable for annual periods commencing on or after 1 January 2022.
- Amendments to IAS 37 'Provisions, contingent liabilities and contingent assets' specify the costs that an entity includes when assessing whether a contract will be loss-making. The amendments are applicable for annual periods commencing on or after 1 January 2022.
- In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. Effective for annual periods beginning on or after 1 January 2023.
- In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. Effective for annual periods beginning on or after 1 January 2023.

The amendments are applicable for annual periods commencing on or after 1 January 2022.

- Amendments to IFRS 10 'Consolidated financial statements' and IAS 28 'Investments in associates' clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. Otherwise, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture.

The management believes the adoption of the above amendments is not likely to have any material impact on the recognition, measurement, presentation and disclosure of items in the financial statements for future periods.

3. Basis of preparation and significant accounting policies and estimates

Basis of preparation

These financial statements have been prepared in accordance with IFRS issued by the IASB and interpretations issued by the IFRIC. The financial statements have been prepared in Qatari Riyals (QR), which is the Company's functional and presentation currency and all financial information has been rounded off to the nearest QR, unless otherwise indicated.

Basis of measurement

These financial statements have been prepared on the historical cost basis.

Significant accounting policies

The principal accounting policies that have been applied by the Company in these financial statements are set out below.

Revenue recognition

Revenue from contracts with customers is recognized when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Sale of goods

Revenue from sale of goods is recognised at a point in time when control of the asset is transferred to the customer, normally on delivery to the customer.

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

3. Basis of preparation and significant accounting policies and estimates

Revenue recognition (Continued)

Delivery occurs when the goods have been shipped to the specific location, the risks of loss have been transferred to the customer, and either the customer has accepted the products in accordance with the contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

Other income

Other income is recognized when earned and on an accrual basis.

Cost and expense recognition

Costs and expenses are recognized in the statement of profit or loss and other comprehensive income upon delivery of goods and performance of service at the date when incurred.

Expenses are also recognized in the statement of profit or loss and other comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized in the statement of profit or loss and other comprehensive income on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

Income tax

Income tax expense represents current tax. The charge for current tax is based on the result for the year adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Current tax is recognized in the statement of profit or loss and other comprehensive income unless the item to which the tax relates was recognized outside the statement of profit or loss and other comprehensive income being other comprehensive income or equity.

Equipment

Equipment is stated in the statement of financial position at cost less accumulated depreciation and any recognized impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight line basis commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each reporting date, with the effect of any changes in estimates accounted for on prospective basis. The estimated useful lives of the assets are as follows:

Furniture & fixtures	6-7 years
Computer & equipment	3 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in the statement of profit or loss and other comprehensive income.

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

3. Basis of preparation and significant accounting policies and estimates (Continued)

Significant accounting policies (Continued)

Impairment of non-financial assets (Continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses (except for goodwill), the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at lower of cost or net realisable value, after making due allowance for any obsolete or slow moving items. Cost is determined on weighted average cost basis and consists of aggregate of purchase price and other related expenses incurred to bring the inventories to their present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred on disposal.

Financial instruments – recognition, classification, measurement, derecognition and offsetting

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition and initial measurement

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

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

All regular way purchases or sales of financial assets are recognised or derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification and subsequent measurement

Financial assets: Classification

On initial recognition, a financial asset is classified as measured at amortized cost.

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

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

Financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost include trade and other receivables, due from related parties and cash and bank balances 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 the statement of profit or loss and other comprehensive income. Any gain or loss on derecognition is recognised in the statement of profit or loss and other comprehensive income.

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

3. Basis of preparation and significant accounting policies and estimates (Continued)

Significant accounting policies (Continued)

Financial instruments – recognition, classification, measurement, derecognition and offsetting (Continued)

Financial liabilities: Classification, subsequent measurement and gains and losses

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, or 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 the statement of profit or loss and other comprehensive income. 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 statement of profit or loss and other comprehensive income. Any gain or loss on derecognition is also recognised in the statement of profit or loss and other comprehensive income.

The Company's financial liabilities include due to a related parties, due to bank and trade and other payables.

Derecognition

Financial assets

A financial asset (or where applicable a part of a financial asset or a part of group of similar financial assets) is derecognised either when:

- (i) the rights to receive cash flows from the asset have expired;
- (ii) the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- (iii) the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

Offsetting

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

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Company applies expected credit losses (ECL) model for measurement and recognition of loss allowance on its trade receivables and other financial asset at amortized cost

In case of trade receivable, the Company follows a simplified approach wherein an amount equal to lifetime ECL is measured and recognised as loss allowance. The Company has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the customers/debtors and the economic environment. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime of ECL.

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

3. Basis of preparation and significant accounting policies and estimates (Continued)

Significant accounting policies (Continued)

Impairment of financial assets (Continued)

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial asset. 12-month ECL are a portion of the lifetime ECL which result from default events that are possible within 12 months from the reporting date. ECL are measured in a manner that they reflect unbiased and profitability weighted amounts determined by a range of outcomes, taking into account the time value of money and other reasonable information available as a result of past events, current conditions and forecasts of future economic conditions.

The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

Equity

Share capital represents the total capital per commercial registration which is treated as equity.

Retain earnings include all accumulated profits or losses of the Company less any dividends and legal reserve.

Employees' end of service benefits

The end of service benefits to its employees is in accordance with Qatar Labor Law. The entitlement to these benefits is based upon the employees' final salary and length of service. The expected costs of these benefits are accrued over the period of employment. Accordingly, the Company has no expectation of settling its employees' terminal benefit obligation in the near future.

Accrued expense and other payables

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

Foreign currency transactions

Transactions in currencies other than Qatari Riyals are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

Leases

At the inception of the contract, the Company assesses whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this maybe specified explicitly or implicitly in the contract and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not an identified asset;
- the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

3. Basis of preparation and significant accounting policies and estimates (Continued)

Significant accounting policies (Continued)

Leases (Continued)

- the Company has the right to direct the use of the asset, i.e., the Company has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
 - the Company has the right to operate the asset; or
 - the Company designed the asset in a way that predetermines how and for what purpose it will be used

Company as a lessee

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and for leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company assesses the value of the underlying asset based on the value of the asset when it is new, regardless of the age of the asset being leased. The Company treats the underlying assets as low-value when a new one has a value of USD 5,000 or less. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Under IAS 17, the Company classified leases that transfer substantially all the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of the fair value and the present value of minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to the asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

Contingent liabilities

A contingent liabilities are possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from the past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

Contingent liabilities are not recognised but are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as provision.

Events after the reporting date

Post year-end events that provide additional information about the Company's financial position at reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Fair value measurements

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, regardless of whether that price is directly observable or estimated using another valuation technique. When measuring fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

3. Basis of preparation and significant accounting policies and estimates (Continued)

Significant accounting policies (Continued)

Fair value measurements (Continued)

The fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Satisfaction of performance obligation

The Company is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine appropriate method of recognising revenue. The Company has assessed that based on the contract, the Company does not create an asset with an alternative use to the Company, the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company perform and usually has an enforceable right to payment for performance completed to date. In these circumstances the Company recognises revenue over time and in other cases, revenue is recognised at a point in time.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, there has been no revision in the lease terms.

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue a going concern. Further, the financial statements have been prepared on a going concern basis as the shareholders have committed to provide continuing financial support for the foreseeable future.

Estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revisions affect both current and future periods.

The significant management estimates and key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

3. Basis of preparation and significant accounting policies and estimates (Continued)

Significant accounting policies (Continued)

Impairment of equipment

A decline in the value of property and equipment could have a significant effect on the amounts recognised in the financial statements. Management assesses the impairment of property and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:

- significant changes in the technology and regulatory environments
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected

Useful lives of equipment

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Write down of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a write-down applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

Due from related parties and trade receivables

The Company applies the simplified approach to measuring expected credit losses to its trade accounts receivable, which uses a provision matrix. The provision rates are based on days past due for groupings of various customer segments that substantially share the same risk characteristics or loss patterns. The provision rates are initially based on the Company's historical observed default rates and adjusted with current conditions and the Company's view of economic conditions over the expected lives of the receivables. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Cash and bank balances

Impairment on cash and bank balances has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and bank balances have low credit risk based on the external credit ratings of the counterparties. While cash and bank balances are also subject to impairment, the identified impairment loss is considered immaterial.

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

4. Equipment

2022	Furniture and fixtures QR	Computer equipment QR	Total QR
<i>Cost</i>			
As at 31 March 2021	10,963	11,928	22,891
Additions during the year	–	1,950	1,950
As at 31 March 2022	10,963	13,878	24,841
<i>Accumulated depreciation</i>			
As at 31 March 2021	9,746	7,661	17,407
Charge for the year	296	2,248	2,544
As at 31 March 2022	10,042	9,909	19,951
<i>Net book value</i>			
As at 31 March 2022	921	3,969	4,890
2021			
<i>Cost</i>			
As at 31 March 2020	10,963	7,128	18,091
Additions during the year	–	4,800	4,800
As at 31 March 2021	10,963	11,928	22,891
<i>Accumulated depreciation</i>			
As at 31 March 2020	9,450	7,128	16,578
Charge for the year	296	533	829
As at 31 March 2021	9,746	7,661	17,407
<i>Net book value</i>			
As at 31 March 2021	1,217	4,267	5,484

5. Inventories

	2022 QR	2021 QR
Inventories on hand	3,987,256	1,761,512
Goods in transit	2,298,666	11,158,389
	6,285,922	12,919,901

6. Trade and other receivables

	2022 QR	2021 QR
Trade accounts receivable	7,965,575	17,948,195
Provision for doubtful debts	(29,625)	–
Net receivables	7,935,950	17,948,195
Refundable security deposit	9,100	34,900
Retention receivables	378,375	377,141
	8,323,425	18,360,236

The carrying amounts of the trade accounts receivable include receivables which are subject to a factoring arrangement. Under this arrangement, the Company has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables. However, the Company has retained late payment and credit risk. The Company therefore continues to recognise the transferred assets in their entirety in its statement of financial position. The amount repayable under the factoring arrangement is presented as part of “Due to banks”. The Company continues the ‘held to collect’ business model to remain appropriate for these receivables and thus continues measuring them at amortised cost.

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

6. Trade and other receivables (Continued)

The movement in the allowance for impaired trade accounts receivable during the year is as follows:

	2022 QR	2021 QR
As at 1 April	—	—
Formed during the year	29,625	—
As at 31 March	29,625	—

7. Cash and bank balances

	2022 QR	2021 QR
Cash in bank	980,426	3,622,816
Cash on hand	2,120	844
	982,546	3,623,660

8. Share capital

As at 31 March 2022 and 2021, the authorized shares of 200 at QR 1,000 par value were issued and paid. The share capital of QR 200,000 is distributed among shareholders as follows:

Name of shareholder	Nationality	Shareholding %	Profit or loss Distribution ratio	2022 QR	2021 QR
Nasser Jaralla S Jaralla	Qatari	51%	3%	102,000	102,000
Electrosteel Castings Limited	India	49%	97%	98,000	98,000
		100%	100%	200,000	200,000

9. Legal reserve

In accordance with Qatar Commercial Companies Law, the Company must transfer 10% of the annual net profit to a legal reserve account. The Company may resolve to discontinue the annual transfers when the reserve totals 50% of the share capital. The reserve is not available for distribution except in the circumstances stipulated for in the Commercial Companies Law.

10. Employees' end of service benefits

	Note	2022 QR	2021 QR
As at the beginning of the year		49,352	41,617
formed during the year	15	8,009	7,735
Payment made during the year		(3,379)	—
		53,982	49,352

11. Due to a bank

Due to a bank represents the amount of trade receivables discounted at a local bank with tenor of 25-70 days at a rate of 2%-3% interest per annum. This financing arrangement is with full recourse in all circumstances.

12. Trade and other payables

	2022 QR	2021 QR
Advances from customers	1,821,154	2,285,196
Trade accounts payables	839,919	969,594
Accrued expenses	740,321	199,760
Others	949,108	1,309,557
	4,350,502	4,764,107

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

13. Revenue from contracts with customers

The following sets out the disaggregation of the Company's revenue from contracts with customers:

a) Revenue

	2022 QR	2021 QR
Sale of goods	69,211,848	92,256,983
	69,211,848	92,256,983

b) Timing of satisfaction of performance obligation

The timing of satisfaction of performance obligation of the Company's revenue from contracts with customers is transferred at a point in time which is upon delivery of goods.

14. Cost of revenue

	2022 QR	2021 QR
Cost of materials	53,256,373	70,986,153
Custom duties and taxes	3,654,063	4,693,106
Transport and handling	3,286,896	4,151,829
Others	1,141,227	1,943,925
	61,338,559	81,775,013

15. General and administrative expenses

	<i>Note</i>	2022 QR	2021 QR
Consultancy fees		1,092,000	1,456,000
Salaries and related costs		644,434	628,219
Rent		607,506	584,376
Sponsorship fees		312,000	312,000
Bank charges		258,791	273,784
Repairs and maintenance		201,066	75,184
Transportation and travel		64,845	65,917
Government fees		69,830	156,670
Professional fees		44,000	210,600
Impairment loss allowance on trade receivables	6	29,625	—
Employees' end of service benefits	10	8,009	7,735
Depreciation of equipment	4	2,544	829
Penalties		—	377,141
Others		162,316	149,602
		3,496,966	4,298,057

16. Related party disclosures

In the normal course of its business, the Company enters into transactions with the parties who fall under the definition of a related party as per IAS 24 "Related Party Disclosures". The details of the transactions and balances with such related parties are as follows:

a. Related party transactions

<u>Name of related parties</u>	<u>Relationship</u>	<u>Type of transactions</u>	2022 QR	2021 QR
Electrosteel Castings Ltd	Shareholder	Purchases	55,481,781	70,663,520
Electrosteel Castings Gulf FZE, UAE	Common control	Expenses	1,092,000	1,456,000
Electrosteel Europe S.A. Sucursal Espana	Common control	Interest on loan	127,400	127,400

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

16. Related party disclosures (Continued)

b. Due from related parties

<u>Name of related parties</u>	<u>Nature of relationship</u>	2022 QR	2021 QR
Electrosteel Castings Ltd	Shareholder	7,297,150	–
Electrosteel Europe SA Sucursal Espana	Under common control	3,671,850	3,671,850
		10,969,000	3,671,850

c. Due to related parties

<u>Name of related parties</u>	<u>Nature of relationship</u>	2022 QR	2021 QR
Electrosteel Castings Ltd	Shareholder	–	8,154,918
Electrosteel Castings Gulf FZE	Under common control	364,000	728,000
		364,000	8,882,918

d. Shareholders, current accounts

	2022 QR	2021 QR
Nasser Jaralla S Jaralla	26,335	244,735
Electrosteel Castings Limited	1,864,508	9,396,556
	1,890,843	9,641,291

The shareholders' current accounts are unsecured, interest free and without any defined repayment arrangements.

e. Key management personnel compensation

	2022 QR	2021 QR
Short term benefit	168,000	168,000
	168,000	168,000

17. Income tax

The reconciliation of the taxable profit at the statutory income tax rate to the profit before income tax presented in the statement of profit or loss and other comprehensive income and income tax expense is as follows:

	2022 QR	2021 QR
Income before income tax	4,503,723	6,311,313
Adjustments:		
Non-deductible salaries and wages	312,000	312,000
Non-deductible penalties	–	377,141
Non-deductible provision	34,255	7,735
Taxable income	4,849,978	7,008,189
Share of non-Qatari shareholder (97%)	4,704,479	6,797,943
Income tax rate	10%	10%
Income tax due and payable	470,448	679,794

Income tax is applicable only to the proportion of foreign shareholder's interest in the Company. The tax liability of the foreign shareholder is calculated in accordance with Qatari income tax law and will be borne ultimately by the foreign shareholder only and to be paid directly by the foreign shareholder to General Tax Authority.

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

18. Financial risk and capital management

Financial risk factors

The Company's financial instruments consist mainly of due from related parties, trade and other receivables (except prepaid expenses and advances), cash and bank balances, borrowings, due to related parties and trade and other payables (except advances, accrued expenses, and provisions).

The Company's financial risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects of the financial performance. Under the Company's risk management programme, management identifies and documents key risks and sets out policies and procedures required to mitigate these risks. No changes were made in the risk management objectives and policies for the year ended 31 March 2022 and 2021. The identified key risks are:

a) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at 31 March 2022, the Company's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company arises from the carrying amount of the respective financial assets as stated in the statement of financial position. The Company is potentially exposed to concentration of credit risk from its financial assets which comprise principally of due from related parties, trade and other receivables and cash in bank.

Due from related parties and trade receivables

The credit risk on due from a related party and trade receivables are subjected to credit valuations. The Company assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Outstanding customer receivables and amounts due from related parties are regularly monitored and an allowance has been made for expected credit losses.

Cash in bank

Credit risk from banks and financial institutions is managed in accordance with the Company's policy. The Company's bank accounts are placed only with high credit quality financial institutions. Investments to any financial instruments are made only with approved parties/financial institutions and within the limits established by the management. The limits are set to minimise the concentration of risks and mitigate financial loss.

As at 31 March 2022	12 month or lifetime ECL	Gross carrying amount QR	Loss allowance QR	Net carrying amount QR
Trade receivables	Lifetime ECL	7,965,575	(29,625)	7,935,950
Due from related parties	12-month ECL	10,969,000	—	10,969,000
Cash in banks	12-month ECL	980,426	—	980,426
Total		19,915,001	(29,625)	19,885,376

As at 31 March 2021	12 month or lifetime ECL	Gross carrying amount QR	Loss allowance QR	Net carrying amount QR
Trade receivables	Lifetime ECL	17,948,195	—	17,948,195
Due from related parties	12-month ECL	3,671,850	—	3,671,850
Cash in banks	12-month ECL	3,622,816	—	3,622,816
Total		25,242,861	—	25,242,861

The aging of trade receivables as at 31 March follows:

	2022 QR	2021 QR
Less than 30 days	4,152,586	8,172,511
Aged 31 – 60 days	1,633,511	7,154,717
Aged 61 – 90 days	2,149,853	2,591,342
More than 90 days	29,625	29,625
	7,965,575	17,948,195

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

18. Financial risk and capital management (Continued)

Financial risk factors (Continued)

b) Liquidity risk

The Company manages its liquidity risk by ensuring it has sufficient liquid cash balances to meet its payment obligations as they fall due. The Company maintains good working relations with its banks and ensures compliance with the covenants as stipulated in facility agreements. The Company plans to settle the financial liabilities using the cash receipts from the revenues that will be earned within the next reporting period.

The table below summarises the maturities of the Company's financial liabilities at 31 March:

2022	Less than 12 months QR	More than 12 months QR	Total QR
Trade payables	839,919	–	839,919
Total	839,919	–	839,919

2021	Less than 12 months QR	More than 12 months QR	Total QR
Due to a related party	8,882,918	–	8,882,918
Due to bank	1,442,047	–	1,442,047
Trade payables	969,594	–	969,594
Total	11,294,559	–	11,294,559

c) Currency risk

The Company manages its currency risk by regularly assessing current and expected foreign currency exchange rate movements. Management believes that there is minimal risk of significant losses since most of the foreign currency rates are constant against QR.

d) Interest rate risk

The Company's interest rate risk arises from bank borrowings. The interest rate risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings. Management believes that there is minimal risk of significant losses due to change in interest rate.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders and to provide best returns on capital investment by pricing goods commensurately with the level of risk.

The Company sets the amount of capital funds in accordance with the planned level of operations and in proportion to the levels of risk. The Company manages the shareholders' funds and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the shareholders' funds, the Company may adjust the amount of dividends paid to shareholders, return funds to shareholders, issue new shares, or sell assets to reduce its exposure to debt. No changes were made in the objectives, policies or processes during the year ended 31 March 2022. The company's equity comprises share capital, legal reserve, shareholders' current accounts and retained earnings.

The Company is not subject to externally-imposed capital requirements.

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

19. Financial instruments

Financial instruments consist of financial assets and financial liabilities.

Financial assets:

The Company's principal financial assets include trade and other receivables, due from related parties and cash and bank balances.

Financial liabilities:

The Company's significant financial liabilities include trade and other payables.

Accounting policies for key items of financial assets and liabilities are set out in Note 3.

Fair value 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. Since the financial statements have been prepared under the historical cost convention, the carrying values of the Company's financial instruments as recorded could therefore be different from their fair values. However, in the opinion of the management, fair values of the financial assets and liabilities are not considered significantly different from their book values as most of these items are short-term in nature or repriced frequently.

20. Effect of COVID-19

The COVID-19 pandemic has developed rapidly in 2021, with significant number of cases. Measures taken by various governments to contain the virus have affected economic activities. The Company has undertaken a number of measures to monitor and mitigate the effects of COVID-19 and at this stage, the impact on the Company's business and results have not been significant. Therefore, management has prepared these financial statements on a going concern basis.

Whilst these events have had a limited impact on the Company's operations to date, these may have an increased implication on the Company's results of operations if the weakened economic environment continues. Given the uncertainty related to the duration and effect of this pandemic, the impact on the Company's financial statements cannot be currently estimated. The spread of COVID-19 pandemic may impact the operations of the Company for short-term. The possible short-term impact will not change in management's going concern assessment or business strategy.