

**ELECTROSTEEL BAHRAIN  
HOLDING WLL**

**CONSOLIDATED FINANCIAL  
STATEMENTS**

**31 MARCH 2021**

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

**Electrosteel Bahrain Holding WLL**

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 March 2021**

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**REPORT OF THE BOARD OF DIRECTORS**  
**For the year ended 31 March 2021**

Bahraini Dinars

On behalf of the board of directors, I have pleasure in presenting the audited consolidated financial statements of Electrosteel Bahrain Holding WLL (the "Company") and its subsidiary (together the "Group") for the year ended 31 March 2021 as set out on pages 4 to 28.

Financial highlights	2021	2020
Revenue	2,983,239	5,339,628
Profit for the year	39,754	162,033
Total assets	2,805,336	3,116,039
Total equity	1,043,062	1,003,308

**Representations and audit**

The Group's activities for the year ended 31 March 2021 have been conducted in accordance with the Commercial Companies Law and other relevant statutes of the Kingdom of Bahrain.

There have been no events subsequent to 31 March 2021, which would in any way invalidate the consolidated financial statements as set out on pages 4 to 28.

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



Awadh Prakash Shukla  
Director  
2 May 2021



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## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER

**Electrosteel Bahrain Holding WLL**  
Ras Zuwayed, Kingdom of Bahrain

### Report on the audit of the consolidated financial statements

#### *Opinion*

We have audited the accompanying consolidated financial statements of Electrosteel Bahrain Holding WLL (the "Company") and its subsidiary (together the "Group"), which comprise the consolidated statement of financial position as at 31 March 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Bahrain and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other information*

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of the board of directors for the consolidated financial statements*

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

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

*INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER (continued)*

*Electrosteel Bahrain Holding WLL  
Ras Zuwayed, Kingdom of Bahrain*

*Auditors' responsibilities for the audit of the consolidated financial statements*

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

**Report on other regulatory requirements**

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

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



KPMG Fakhro  
Partner Registration No. 136  
4 May 2021

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 31 March 2021

Bahraini Dinars

ASSETS	Note	2021	2020
<b>Non-current assets</b>			
Property, plant and equipment	5	1,053,337	688,686
<b>Total non-current assets</b>		<b>1,053,337</b>	<b>688,686</b>
<b>Current assets</b>			
Inventories	6	854,946	951,179
Trade and other receivables	7	528,995	1,325,227
Cash and cash equivalents	8	368,058	150,947
<b>Total current assets</b>		<b>1,751,999</b>	<b>2,427,353</b>
<b>Total assets</b>		<b>2,805,336</b>	<b>3,116,039</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	1	250,000	250,000
Statutory reserve		81,032	77,057
Retained earnings		712,030	676,251
<b>Total equity (page 6)</b>		<b>1,043,062</b>	<b>1,003,308</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Provision for employees' leaving indemnities	9	3,340	2,328
Non-current portion of lease liability	10	492,939	552,743
Non-current portion of vehicle loan	11	4,284	-
<b>Total non-current liabilities</b>		<b>500,563</b>	<b>555,071</b>
<b>Current liabilities</b>			
Current portion of lease liability	10	59,804	46,334
Current portion of vehicle loan	11	2,531	-
Due to related parties	12 b)	469,108	1,011,459
Loan from related parties	12 c)	507,600	384,689
Trade and other payables	13	222,668	115,178
<b>Total current liabilities</b>		<b>1,261,711</b>	<b>1,557,660</b>
<b>Total liabilities</b>		<b>1,762,274</b>	<b>2,112,731</b>
<b>Total equity and liabilities</b>		<b>2,805,336</b>	<b>3,116,039</b>

The consolidated financial statements were approved by the board of directors on 2 May 2021 and signed on its behalf by:

*Awadh Shukla*

Awadh Prakash Shukla  
Director

*Shivendra Agarwal*

Shivendra Nath Agarwal  
Director

The accompanying notes 1 to 21 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**For the year ended 31 March 2021**

Bahraini Dinars

	Note	2021	2020
<b>REVENUE</b>	14	<b>2,983,239</b>	5,339,628
Cost of sales	15	(2,419,033)	(4,531,985)
<b>Gross profit</b>		<b>564,206</b>	807,643
Other income		11,347	28,995
General and administrative expenses	16	(37,574)	(49,263)
Staff costs	17	(72,918)	(74,153)
Selling and distribution expenses	18	(286,431)	(421,375)
Finance cost on lease liabilities		(28,902)	(22,809)
Finance cost on loans		(14,365)	(8,267)
Bank charges		(19,593)	(34,082)
Depreciation	5	(76,016)	(64,656)
<b>Profit for the year</b>		<b>39,754</b>	162,033
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>39,754</b>	162,033



Awadh Prakash Shukla  
Director



Shivendra Nath Agarwal  
Director

The accompanying notes 1 to 21 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 March 2021**

Bahraini Dinars

2021	Share capital	Statutory reserve	Retained earnings	Total
At 1 April 2020	250,000	77,057	676,251	1,003,308
Total comprehensive income for the year (page 5)	-	-	39,754	39,754
Transfer to statutory reserve	-	3,975	(3,975)	-
<b>At 31 March 2021</b>	<b>250,000</b>	<b>81,032</b>	<b>712,030</b>	<b>1,043,062</b>

2020	Share capital	Statutory reserve	Retained earnings	Total
At 1 April 2019	250,000	60,854	530,421	841,275
Total comprehensive income for the year (page 5)	-	-	162,033	162,033
Transfer to statutory reserve	-	16,203	(16,203)	-
At 31 March 2020	250,000	77,057	676,251	1,003,308

The accompanying notes 1 to 21 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the year ended 31 March 2021**

Bahraini Dinars

	Note	2021	2020
<b>OPERATING ACTIVITIES</b>			
Receipts from customers		3,833,684	4,318,667
Payments to suppliers		(2,828,221)	(3,945,441)
Payments for operating expenses		(399,157)	(573,464)
Other receipts		11,347	28,995
<b>Net cash from / (used in) operating activities</b>		<b>617,653</b>	<b>(171,243)</b>
<b>INVESTING ACTIVITIES</b>			
Payment for acquisition of property, plant and equipment	5	(440,667)	(14,173)
<b>Net cash used in investing activities</b>		<b>(440,667)</b>	<b>(14,173)</b>
<b>FINANCING ACTIVITIES</b>			
Principal payments of lease liabilities	10	(46,334)	(31,269)
Finance cost on lease liabilities paid		(28,902)	(22,809)
Finance cost on loans paid		(14,365)	(8,267)
Vehicle loan availed	11	7,969	-
Repayment of vehicle loan	11	(1,154)	-
Loan availed from a related party during the year	12 c)	277,189	309,067
Loan repayments to a related party during the year	12 c)	(154,278)	-
<b>Net cash from financing activities</b>		<b>40,125</b>	<b>246,722</b>
<b>Net increase in cash and cash equivalents during the year</b>		<b>217,111</b>	<b>61,306</b>
Cash and cash equivalents at the beginning of the year		150,947	89,641
<b>Cash and cash equivalents at the end of the year</b>	8	<b>368,058</b>	<b>150,947</b>

The accompanying notes 1 to 21 are an integral part of these consolidated financial statements.

## 1 STATUS AND OPERATIONS

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

On 28 September 2020, His Majesty the King, issued decree no. 28 of 2020 amending certain provisions of the BCCL (law no 21 of 2001). The amendments are aimed at bringing the Commercial Companies Law (CCL) in line with international best practice. Among the amendments is the merging of SPCs with limited liability companies. Therefore, existing SPCs will be required to convert into a "With Limited Liability" (WLL) company. In accordance with the aforementioned changes to CCL, the legal status of the Company has been changed from being an SPC to WLL during the current year, under the name Electrosteel Bahrain Holding WLL.

The consolidated financial statements comprise the Company and its subsidiary (together referred to as the "Group" and individually as the "Company").

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

The Company is engaged in activities of holding companies.

### Subsidiary

#### *Electrosteel Bahrain Trading WLL*

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

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

## 2 BASIS OF PREPARATION

### a) Statement of compliance

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

### b) Basis of measurement

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

### c) Functional and presentation currency

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

**NOTES TO THE 2021 CONSOLIDATED FINANCIAL STATEMENTS**

Bahraini Dinars

**2 BASIS OF PREPARATION (continued)****d) Principles of consolidation***(i) Subsidiary*

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

*(ii) Transactions eliminated on consolidation*

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

**e) Use of estimates and judgements**

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

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

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

**f) New standards, amendments and interpretations effective from 1 January 2020**

The following standards, amendments and interpretations, which became effective as of 1 January 2020 are not expected to have a significant impact on the Group's consolidated financial statements:

*(i) Amendments to References to Conceptual Framework in IFRS Standards*

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020.

The adoption of this amendment had no significant impact on the Group's consolidated financial statements.

*(ii) Definition of Material - Amendments to IAS 1, Presentation of consolidated Financial Statements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors*

The IASB has made amendments to IAS 1 Presentation of consolidated Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the consolidated financial statements as a whole, and

**NOTES TO THE 2021 CONSOLIDATED FINANCIAL STATEMENTS**

Bahraini Dinars

**2 BASIS OF PREPARATION (continued)**

- the meaning of 'primary users of general- purpose consolidated financial statements' to whom those consolidated financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose consolidated financial statements for much of the financial information they need.

The adoption of this amendment had no significant impact on the Group's consolidated financial statements.

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

A new number of new standards, amendments to standards are effective for annual periods beginning after 1 January 2021 and early application is permitted. The Group has early adopted the following new or amended standards in preparing these consolidated financial statements:

*COVID-19-Related Rent Concessions (Amendment to IFRS 16)*

In response to the COVID-19 coronavirus pandemic, the Board has issued amendments to IFRS 16 Leases to allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions. The rent concessions could be in various forms and may include one-off rent reductions, rent waivers or deferrals of lease payments. If the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognised in the consolidated statement of profit or loss and other comprehensive income.

The practical expedient will only apply if:

- a) the revised consideration is substantially the same or less than the original consideration;
- b) the reduction in lease payments relates to payments due on or before 30 June 2021; and
- c) no other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose:

- a) that fact, if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and
- b) the amount recognised in the consolidated statement of profit or loss and other comprehensive income for the reporting period arising from application of the practical expedient.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

The amendments are effective for annual reporting periods beginning on or after 1 June 2020, with earlier application permitted. The Group has early adopted COVID-19-Related Rent Concessions – Amendment to IFRS 16 issued on 28 May 2020. The amendment introduces an optional practical expedient for leases in which the Group is a lessee – i.e. for leases to which the Group applies the practical expedient, the Group is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic are lease modifications. The Group has applied the amendment retrospectively. The amendment has no impact on retained earnings at 1 January 2020.

The Group negotiated rent concessions with its landlords for the majority of its retail store leases as a result of the severe impact of the COVID-19 pandemic during the year. The Group applied the practical expedient for COVID-19-related rent concessions consistently to eligible rent concessions relating to its retail store leases. The amount recognised in the consolidated statement of profit or loss and other comprehensive income for the reporting period to reflect changes in lease payments arising from rent concessions to which the Group has applied the practical expedient for COVID-19-related rent concessions is BD 3,919 (2019: nil).

**2 BASIS OF PREPARATION (continued)****h) 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 2021 and have not been applied in preparing these financial statements. Those, which are relevant to the Group, are set out below, the Group does not plan to early adopt these standards.

**(i) Annual Improvements to IFRS Standards 2018-2020**

As part of its process to make non-urgent but necessary amendments to IFRS Standards, the IASB has issued the Annual Improvements to IFRS Standards 2018–2020. The following are the key amendments in brief:

**a) IFRS 1 First-time Adoption of International Financial Reporting Standards**

This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent, then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the financial statements of the parent, based on the parent's date of transition to IFRS Standards.

This amendment will ease transition to IFRS Standards for subsidiaries applying this optional exemption by reducing undue costs and avoiding the need to maintain parallel sets of accounting records.

**b) IFRS 9 Financial Instruments**

This amendment clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company does not expect these amendments to have a significant impact on its financial statements upon adoption.

**(ii) Classification of liabilities as current or non-current (Amendments to IAS 1)**

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional 'right to defer' settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. This assessment may require management to exercise interpretive judgement.

Further, 'a right to defer' exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date. This new requirement may change how companies classify rollover facilities, with some becoming non-current.

The amendments state that settlement of a liability includes transferring a company's own equity instruments to the counterparty. When classifying liabilities as current or non-current a company can ignore only those conversion options that are recognized as equity. Therefore, companies may need to reassess the classification of liabilities that can be settled by the transfer of the company's own equity instruments – e.g. convertible debt.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The Company does not expect these amendments to have a significant impact on its financial statements upon adoption.

### 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Group and consistent with those used in the previous year except for the changes related to the adoption of IFRS 16 *Leases*.

#### a) Property, plant and equipment

##### (i) Recognition and measurement

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

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

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

##### (ii) Subsequent measurement

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

##### (iii) Depreciation

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

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

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

##### (iv) Work in progress

Capital work in progress represents expenditure incurred in construction which includes payments to contractors incurred in connection with the construction of new buildings. These assets will be capitalised and depreciated when they are put into intended use.

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

**b) Leases**

At inception of a contract, the Group 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 of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

*(i) As a lessee*

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities as a separate line item in the statement of financial position.

*Short-term leases and leases of low-value assets*

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

*Extension option*

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

*(ii) As a lessor*

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16.

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)*****COVID-19-related rent concessions***

The Group has applied COVID-19-Related Rent Concessions – Amendment to IFRS 16. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

**c) Impairment of non-financial asset**

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

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

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

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

**d) 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.

**e) Financial instruments****Non-derivative financial instruments**

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

***(i) Recognition and initial measurement***

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

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

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)***(ii) Classification and subsequent measurement***Financial assets**

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

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

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

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

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

**Financial assets at amortised cost**

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

**Financial liabilities**

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

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

**Financial liabilities**

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

*(iii) Derecognition***Financial assets**

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

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

**Financial liabilities**

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

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

**NOTES TO THE 2021 CONSOLIDATED FINANCIAL STATEMENTS**

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**3 SIGNIFICANT ACCOUNTING POLICIES (continued)***(iv) Offsetting*

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

*(v) Impairment*

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

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

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

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

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

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

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

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

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

**Measurement of ECLs****Trade receivables - (Simplified approach)**

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

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

**Bank balances- (General approach)**

Impairment on bank balances has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its bank balances have low credit risk based on the external credit ratings of the counterparties.

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

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

**Credit-impaired financial assets**

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

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

**Presentation of allowance for ECL in the statement of financial position**

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

**Write-off**

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

**f) Cash and cash equivalents**

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

**g) Statutory reserve**

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

**h) Employee benefits**

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

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

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

**i) Provisions**

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

**NOTES TO THE 2021 CONSOLIDATED FINANCIAL STATEMENTS**

Bahraini Dinars

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)****j) Revenue**

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

**k) Foreign currency transactions and balances**

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

**l) Interest expenses**

Interest expense is recognised as expenses in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred on effective interest method.

**m) Government grant**

Government grant related to operating expense is recognised as other income in the consolidated statement of profit or loss and other comprehensive income in the year in which grant is received.

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

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

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

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

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

**b) Inputs and assumptions used in the measurement of right-of-use assets and lease liabilities**

Refer note 3 (b) (i).

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

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

**d) Provision for expected credit losses on trade receivables**

Please refer to note 3 e (v).

## NOTES TO THE 2021 CONSOLIDATED FINANCIAL STATEMENTS

Bahraini Dinars

## 5 PROPERTY, PLANT AND EQUIPMENT

	Right-use-of assets	Leasehold improvements	Plant and machinery	Computer	Motor vehicle	Electrical equipment	Furniture, fittings and tools	Work-in-progress	2021 Total
<b>Cost</b>									
At 1 April 2020	630,346	106,891	28,245	11,651	2,750	1,946	8,966	10,104	800,899
Addition	-	-	-	1,445	8,188	-	1,886	429,148	440,667
<b>At 31 March 2021</b>	<b>630,346</b>	<b>106,891</b>	<b>28,245</b>	<b>13,096</b>	<b>10,938</b>	<b>1,946</b>	<b>10,852</b>	<b>439,252</b>	<b>1,241,566</b>
<b>Depreciation</b>									
At 1 April 2020	49,112	29,264	17,422	9,905	1,151	1,809	3,550	-	112,213
Charge for the year	59,931	7,121	3,860	1,798	1,178	60	2,068	-	76,016
<b>At 31 March 2021</b>	<b>109,043</b>	<b>36,385</b>	<b>21,282</b>	<b>11,703</b>	<b>2,329</b>	<b>1,869</b>	<b>5,618</b>	<b>-</b>	<b>188,229</b>
<b>Net book value at the end of the year</b>	<b>521,303</b>	<b>70,506</b>	<b>6,963</b>	<b>1,393</b>	<b>8,609</b>	<b>77</b>	<b>5,234</b>	<b>439,252</b>	<b>1,053,337</b>

	Right-use-of assets	Leasehold improvements	Plant and machinery	Computer	Motor vehicle	Electrical equipment	Furniture, fittings and tools	Work-in-progress	2020 Total
<b>Cost</b>									
At 1 April 2019	-	106,891	27,902	11,496	2,750	1,946	5,395	-	156,380
Recognition of right-of-use assets on initial application of IFRS 16	444,878	-	-	-	-	-	-	-	444,878
Addition	185,468	-	343	155	-	-	3,571	10,104	199,641
<b>At 31 March 2020</b>	<b>630,346</b>	<b>106,891</b>	<b>28,245</b>	<b>11,651</b>	<b>2,750</b>	<b>1,946</b>	<b>8,966</b>	<b>10,104</b>	<b>800,899</b>
<b>Depreciation</b>									
At 1 April 2019	-	22,123	13,198	7,667	597	1,392	2,580	-	47,557
Charge for the year	49,112	7,141	4,224	2,238	554	417	970	-	64,656
<b>At 31 March 2020</b>	<b>49,112</b>	<b>29,264</b>	<b>17,422</b>	<b>9,905</b>	<b>1,151</b>	<b>1,809</b>	<b>3,550</b>	<b>-</b>	<b>112,213</b>
<b>Net book value at the end of the year</b>	<b>581,234</b>	<b>77,627</b>	<b>10,823</b>	<b>1,746</b>	<b>1,599</b>	<b>137</b>	<b>5,416</b>	<b>10,104</b>	<b>688,686</b>

Capital work in progress pertains to the new factory building which is still under construction. The capital commitment relating to this project at the reporting date amounted to BD 439,252 (2020: BD 223,000).

## NOTES TO THE 2021 CONSOLIDATED FINANCIAL STATEMENTS

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**6 INVENTORIES**

	<b>2021</b>	2020
Pipes	323,779	512,268
Fittings and accessories	126,033	98,775
Consumable material	6,710	1,385
	<b>456,222</b>	612,428
Goods in transit	398,424	338,751
	<b>854,946</b>	951,179

**7 TRADE AND OTHER RECEIVABLES**

	<b>2021</b>	2020
Trade receivables	390,806	1,241,251
Value added tax asset - net	20,162	55,284
Advances paid to suppliers	21,016	26,697
Prepayments	10,350	1,345
Deposit	86,400	650
Others	261	-
	<b>528,995</b>	1,325,227

**8 CASH AND CASH EQUIVALENTS**

	<b>2021</b>	2020
Cash on hand	1,717	1,379
Bank balances	366,341	149,568
<b>Cash and cash equivalents as per the consolidated statement of cash flows</b>	<b>368,058</b>	150,947

**9 PROVISION FOR EMPLOYEES' LEAVING INDEMNITIES**

	<b>2021</b>	2020
At the beginning of year	2,328	1,431
Charge for the year (note 16)	1,012	1,013
Paid during the year	-	(116)
<b>At the end of year</b>	<b>3,340</b>	2,328

**10 LEASE LIABILITIES**

	<b>2021</b>	2020
At the beginning of year	599,077	-
At initial adoption of IFRS 16	-	444,878
Additions during the year	-	185,468
Payments during the year	(46,334)	(31,269)
<b>At the end of year</b>	<b>552,743</b>	599,077

	<b>2021</b>	2020
Current portion of lease liabilities	59,804	46,334
Non-current portion of lease liabilities	492,939	552,743
	<b>552,743</b>	599,077

**11 VEHICLE LOAN**

loan availed during the period  
Less: payment during the period

2021	2020
7,969	-
(1,154)	-
<b>6,815</b>	-

**At the end of year**

2021	2020
2,531	-
4,284	-
<b>6,815</b>	-

Current portion of vehicle loan  
Non-current portion of vehicle loan

**12 RELATED PARTIES**

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

**a) Significant transactions with related parties**

Purchases from related parties  
Loan availed / (repaid) from related party, net (including interest)  
Sponsorship fee (note 16)  
Sales to related parties  
Expenses incurred by the Group on behalf of the related party

2021	2020
<b>2,215,964</b>	4,075,456
<b>122,911</b>	309,067
<b>11,400</b>	11,400
<b>9,607</b>	2,611
-	1,808

**b) Due to related parties**

Electrosteel Castings Limited, India  
Electrosteel Castings Gulf FZE, UAE

*Relationship*  
*Parent company*  
*Under common control*

2021	2020
469,108	1,010,440
-	1,019
<b>469,108</b>	<b>1,011,459</b>

Related party balances are interest free and payable on demand.

**c) Loan from related parties**

At the beginning of year  
Availed during the year  
Paid during the year

2021	2020
384,689	75,622
277,189	309,067
(154,278)	-
<b>507,600</b>	<b>384,689</b>

The above loans are unsecured loans obtained by the Group from Electrosteel Castings Gulf FZE, UAE, a related party under common control. The loans bear interests of 3% per annum.

## NOTES TO THE 2021 CONSOLIDATED FINANCIAL STATEMENTS

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## 12 RELATED PARTIES (continued)

## d) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The key management personnel are the directors of the Group and the compensation paid to them during the year was BD 20,220 (2020: 20,040).

## 13 TRADE AND OTHER PAYABLES

	2021	2020
Trade payables	128,674	91,744
Advances received from customers	85,259	12,329
Accrued expenses and other payables	8,735	11,105
	<b>222,668</b>	<b>115,178</b>

## 14 REVENUE

	2021	2020
Pipes	2,662,986	4,845,504
Fittings and accessories	320,253	494,124
	<b>2,983,239</b>	<b>5,339,628</b>

## 15 COST OF SALES

	2021	2020
Pipes	2,218,953	4,168,433
Fittings and accessories	200,080	363,552
	<b>2,419,033</b>	<b>4,531,985</b>

## 16 GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
Sponsorship fee (note 12 (a))	11,400	11,400
Electricity and water charges	4,244	5,639
Legal and professional fees	4,215	7,005
Rent	3,500	2,800
Forklift expenses	3,425	2,413
Repairs and maintenance	2,220	2,339
Travelling expenses	1,967	10,260
Communication charges	1,806	1,836
Others	4,797	5,571
	<b>37,574</b>	<b>49,263</b>

**17 STAFF COSTS**

	<b>2021</b>	<b>2020</b>
Salaries and related costs	41,863	39,855
Accommodation	12,719	9,442
Labour wages	7,963	13,307
Transportation	3,608	4,296
Leave salary	2,046	2,605
Social insurance	1,852	1,796
End-of-service benefits (note 9)	1,012	1,013
Others	1,855	1,839
	<b>72,918</b>	<b>74,153</b>

**18 SELLING AND DISTRIBUTION EXPENSES**

	<b>2021</b>	<b>2020</b>
Transportation and border charges	221,094	279,616
Retainers fee	37,500	46,000
Packing materials	13,087	57,668
Others	14,750	38,091
	<b>286,431</b>	<b>421,375</b>

**19 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

**2021**

	<b>At amortised cost</b>	<b>Total carrying amount</b>
<b>Assets</b>		
Trade and other receivables (excluding prepayments and advances paid to the suppliers)	477,467	477,467
Cash and cash equivalents	368,058	368,058
	<b>845,525</b>	<b>845,525</b>
<b>Liabilities</b>		
Lease liabilities	552,743	552,743
Vehicle loan	6,815	6,815
Due to related parties	469,108	469,108
Loan from related parties	507,600	507,600
Trade and other payables (excluding advances received from customers)	137,409	137,409
	<b>1,673,675</b>	<b>1,673,675</b>

## NOTES TO THE 2021 CONSOLIDATED FINANCIAL STATEMENTS

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## 19 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

2020	At amortised cost	Total carrying amount
<b>Assets</b>		
Trade and other receivables (excluding prepayments and advances paid to the suppliers)	1,241,901	1,241,901
Cash and cash equivalents	150,947	150,947
	<b>1,392,848</b>	<b>1,392,848</b>
<b>Liabilities</b>		
Lease liabilities	599,077	599,077
Due to related parties	1,011,459	1,011,459
Loan from related parties	384,689	384,689
Trade and other payables (excluding advances received from customers)	102,849	102,849
	<b>2,098,074</b>	<b>2,098,074</b>

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

#### a) Credit risk

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

- The Group limits its exposure to credit risk on bank balances by maintaining balances with banks where the external credit ratings are high. The Group considers that its cash and bank balances have low credit risk based on the external credit ratings of the counterparties. The Group has assessed impairment on cash and cash equivalents based on the 12-month expected loss and has concluded that there is no significant impact due to impairment of cash and bank balances.
- The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However the management also considers the factors that may influence the credit risk of its customers base, including the default risk associated with the industry and country in which customers operate.

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**19 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

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

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

	2021	2020
Trade and other receivables (excluding prepayments and advances paid to the suppliers)	477,467	1,241,901
Bank balances	366,341	149,568
	<b>843,808</b>	<b>1,391,469</b>

**b) Liquidity risk**

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

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

The following are the contractual maturities of financial liabilities:

2021	Carrying amount	Contractual undiscounted cash flows	6 months or less	6 - 12 months	More than 12 months
Lease liabilities	552,743	685,727	37,618	37,618	610,491
Vehicle loan	6,815	7,667	1,530	1,530	4,607
Due to related parties	469,108	469,108	469,108	-	-
Loan from related parties	507,600	522,828	-	522,828	-
Trade and other payables (excluding advances received from customers)	137,409	137,409	137,409	-	-
	<b>1,673,675</b>	<b>1,822,739</b>	<b>645,665</b>	<b>561,976</b>	<b>615,098</b>
2020	Carrying amount	Contractual undiscounted cash flows	6 months or less	6 - 12 months	More than 12 months
Lease liabilities	599,077	760,962	37,618	37,618	685,726
Due to related parties	1,011,459	1,011,459	1,011,459	-	-
Loan from related parties	384,689	403,923	-	403,923	-
Trade and other payables (excluding advances received from customers)	102,849	102,849	102,849	-	-
	<b>2,098,074</b>	<b>2,279,193</b>	<b>1,151,926</b>	<b>441,541</b>	<b>685,726</b>

**c) Market risk**

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

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**19 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)***(i) Currency risk*

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

*(ii) Interest rate risk*

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

The Group's exposure to interest rate risk is limited to the loans from a related party and lease liabilities.

Effective interest rates are as follows:

	2021	2020
Lease liabilities	5%	5%
Vehicle loan	5%	-
Loans from a related party	3%	5%

At the reporting date, the interest rate profiles of the Group's interest bearing financial instruments are as follows:

	2021	2020
Lease liabilities	552,743	599,077
Vehicle loan	6,815	-
Loans from a related party	507,600	384,689

*Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial liabilities at fair value through the statement of profit or loss and other comprehensive income. Therefore a change in interest rates at the reporting date would not affect the statement of profit or loss and other comprehensive income. Increase or decrease in equity resulting from variation in interest rates is not expected to be significant.

*Cash flow sensitivity analysis for variable rate financial instruments*

The Group does not account for any financial asset or financial liabilities at fair value through statement of income. Therefore, a change in interest rates at the reporting date would not affect profit or loss. A change in 100 basis points in interest rate in the interest bearing financial instruments would have increased / (decreased) equity by BD 10,672 (2020: BD 9,838). This analysis assumes that all other variables remain constant.

*(iii) Other market price risk*

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

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

**d) Capital Management**

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

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

**NOTES TO THE 2021 CONSOLIDATED FINANCIAL STATEMENTS**

Bahraini Dinars

**19 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)****e) Fair values of financial instruments**

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

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

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

**20 IMPACT OF COVID-19**

On 11 March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization (WHO) and has rapidly evolved globally. This has resulted in a global economic slowdown with uncertainties in the economic environment. Global equity and commodity markets have also experienced great volatility and a significant drop in prices. Authorities have taken various measures to contain the spread including implementation of travel restrictions and quarantine measures. The pandemic as well as the resulting measures and policies have had some impact on the Company. The Company is actively monitoring the COVID-19 situation, and in response to this outbreak, has activated its business continuity plan and various other risk management practices to manage the potential business disruption on its operations and financial performance.

Governments and central banks across the world have responded with monetary and fiscal interventions to stabilize economic conditions. The Government of Kingdom of Bahrain has announced various economic stimulus programmes ("Packages") to support businesses in these challenging times. The Company has received some benefits totaling BD 1,343 from these Packages mainly in the form of temporary waiver of Electricity and Water Authority utility bills and partial reimbursement of salaries of national employees. Additionally, as discussed in note 2 g), the Company has benefited from rent-free periods granted by a lessor.

The management and the Board of Directors (BOD) have been closely monitoring the potential impact of the COVID 19 developments on the Company's operations and financial position; including possible loss of revenue, impact on asset valuations, impairment, review of onerous contracts, outsourcing arrangements etc. Based on their assessment, the BOD is of the view that the Company will continue as a going concern entity for the next 12 months from the date of this financial statements. In preparing the financial statements, judgements made by management in applying the Company's accounting policies and sources of estimation are subject to uncertainty regarding the potential impacts of the current economic volatility and these are considered to represent management's best assessment based on available or observable information.

**21 COMPARATIVES**

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