

ELECTROSTEEL BAHRAIN HOLDING SPC

**CONSOLIDATED FINANCIAL
STATEMENTS**

31 MARCH 2016

Shareholder	:	Electrosteel Castings Limited
Offices	:	Flat 2102, Building 2648, Road 5720, Block 257 Amwaj, Kingdom of Bahrain Telephone: 77322288 Fax: 77322299
Principal bankers	:	Standard Chartered Bank
Auditors	:	KPMG Fakhro

Electrosteel Bahrain Holding SPC

CONSOLIDATED FINANCIAL STATEMENTS

For the period from 17 March 2015 to 31 March 2016

CONTENTS	Page
Report of the board of directors	1
Independent auditors' report to the shareholders	2
Financial statements	
Consolidated statement of financial position	3
Consolidated statement of profit or loss and other comprehensive income	4
Consolidated statement of changes in equity	5
Consolidated statement of cash flows	6
Notes to the consolidated financial statements	7 - 18

REPORT OF THE BOARD OF DIRECTORS
For the period from 17 March 2015 to 31 March 2016

Bahraini Dinars

In accordance with Article 286 of the Bahrain Commercial Companies Law 2001, on behalf of the board of directors, I have pleasure in presenting the audited consolidated financial statements of Electrosteel Bahrain Holding SPC (the "Company") and its subsidiary (together the "Group") (pages 3 to 18) for the period from 17 March 2015 to 31 March 2016.

Financial highlights	2016 (13 months)
Revenue	392,282
Gross profit	99,063
Loss for the period	(17,257)
Total assets	1,384,115
Total equity	232,743

Representations and audit

The Group's activities for the period ended 31 March 2016 have been conducted in accordance with the Bahrain Commercial Companies Law 2001 and other relevant statutes of the Kingdom of Bahrain.

There have been no events since 31 March 2016, which would in any way, invalidate the consolidated financial statements as set out on pages 3 to 18.

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.

On behalf of the board of directors,


 Piush Lohia
 Director

4 May 2016



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2

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Electrosteel Bahrain Holding SPC
Amwaj, Kingdom of Bahrain

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Electrosteel Bahrain Holding SPC (the "Company") and its subsidiaries together (the "Group"), which comprise the consolidated statement of financial position as at 31 March 2016, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period from 17 March 2015 to 31 March 2016, and notes, comprising a summary of significant accounting policies and other explanatory information.

Responsibility of the board of directors for the consolidated financial statements

The board of directors of the Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2016, and its consolidated financial performance and its consolidated cash flows for the period from 17 March 2015 to 31 March 2016 in accordance with International Financial Reporting Standards.

Report on other regulatory requirements

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

- a) The Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
- b) The financial information contained in the board of directors' report is consistent with the consolidated financial statements;
- c) We are not aware of any violations during the period of the Bahrain Commercial Companies Law or the terms of the Company's articles 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 the management in response to all our requests.

KPMG Fakhro
Partner Registration No. 136
4 May 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2016

Bahraini Dinars

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


 Piush Lohia
 Director


 Mahendra Kumar Jalan
 Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the period ended 31 March 2016

Bahraini Dinars

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


 Piush Lohia
 Director


 Mahendra Kumar Jalan
 Director

The board of directors approved the consolidated financial statements consisting of pages 3 to 18 on 4 May 2016.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**For the period ended 31 March 2016**

Bahraini Dinars

2016

Share capital introduced

Total comprehensive income for the period (page 4)

At 31 March 2016

Share capital	Accumulated losses	Total
250,000	-	250,000
-	(17,257)	(17,257)
250,000	(17,257)	232,743

The consolidated financial statements consist of pages 3 to 18.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 March 2016

Bahraini Dinars

	Note	2016 (13 months)
OPERATING ACTIVITIES		
Receipts from customers		20,026
Payments to suppliers		(91,088)
Payments for pre-operating expenses		(40,806)
Payments for operating expenses		(67,414)
Net cash flows used in operating activities		(179,282)
INVESTING ACTIVITIES		
Payment for acquisition of property, plant and equipment	5	(151,400)
Net cash flows used in investing activities		(151,400)
FINANCING ACTIVITIES		
Share capital introduced (page 5)		250,000
Loan availed from a related party	8 d)	109,573
Net cash flows generated from financing activities		359,573
Net increase in cash and cash equivalents during the period		28,891
Cash and cash equivalents at 31 March	9	28,891

The consolidated financial statements consist of pages 3 to 18.

1 STATUS AND OPERATIONS

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

The consolidated financial statements of the Group as at and for the period ended 31 March 2016 comprise the Company and its subsidiary (together referred to as the 'Group' and individually as a 'Company').

The Company is registered with an authorised share capital of BD 250,000 comprising of 2500 shares of BD 100 each. The issued and fully paid up capital comprises of 2500 shares of BD 100 each as follows:

	No. of shares	Percentage (%)	Issued share capital (BD)
Electrosteel Castings Limited, India	2500	100	250,000
	2500	100	250,000

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

Subsidiary company

The financial statements of Electrosteel Bahrain Holding SPC 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 Bahrain Commercial Companies Law 2001.

b) Basis of measurement

The consolidated financial statements have been drawn up from the accounting records of the Group 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 Dinar.

d) Principles of consolidation

The consolidated financial statements include a subsidiary that is controlled by the Group. Control is presumed to exist where more than one half of the subsidiaries 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 the subsidiaries 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.

Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

e) Use of estimates and judgements

The preparation of 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 financial statements are described in note 4.

f) New standards, amendments and interpretations effective from 1 January 2016

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

g) New Standards, amendments and interpretations issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2016, and have not been applied in preparing these consolidated financial statements. Those, which are relevant to the Group, are set out below. The Group does not plan to early adopt these standards.

(i) IFRS 9 - Financial Instruments

IFRS 9 published in July 2015, replaces the existing IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

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

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

(ii) IFRS 15 - Revenue from Contracts with Customers

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

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

NOTES TO THE 2016 CONSOLIDATED FINANCIAL STATEMENTS

Bahraini Dinars

2 BASIS OF PREPARATION (continued)

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

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

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

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

(iv) Annual improvements to IFRSs 2012-2014 cycle

The annual improvements to IFRSs to 2012-2014 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 July 2016; earlier application is permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.

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

(v) Disclosure initiative (Amendment to IAS 1)

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

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.

NOTES TO THE 2016 CONSOLIDATED FINANCIAL STATEMENTS

Bahraini Dinars

3 SIGNIFICANT ACCOUNTING POLICIES (continued)*(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
Electrical equipment	4
Furniture, fittings and tools	3 - 4

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

b) Inventories

Inventories are carried at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses. The cost of inventories is determined on weighted average cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

c) Non-derivative financial instruments

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

(i) Receivables

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

(ii) Cash and cash equivalents

Cash and cash equivalents comprise balances with banks.

(iii) Payables

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

(iv) Other non-derivative financial instruments

Other non-derivative financial instruments are measured at cost.

d) 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.

e) Impairment**(i) Financial assets**

Each financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset. If any such evidence exists, the asset's recoverable amount is estimated and impairment loss is recognised whenever the carrying amount of an asset exceeds its estimated recoverable amount. All impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income.

(ii) Non-financial assets

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 consolidated statement of profit or loss and other comprehensive income.

f) 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.

g) 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.

h) Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue would be recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

i) Operating lease

An operating lease is a lease other than a finance lease. Operating leases is recognised on a straight line basis over the lease term.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT IN APPLYING ACCOUNTING POLICIES

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

a) Impairment of receivables

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

b) Write down of inventories to net realisable value

The 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.

c) 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.

5 PROPERTY, PLANT AND EQUIPMENT

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

6 INVENTORIES

Pipes
Fittings and accessories
Goods in transit
Packing material

2016
766,914
43,741
2,762
2,300
815,717

NOTES TO THE 2016 CONSOLIDATED FINANCIAL STATEMENTS

Bahraini Dinars

7 TRADE AND OTHER RECEIVABLES

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

8 RELATED PARTIES

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

a) Significant transactions with related parties

	2016
Purchases from related party	1,005,034
Sales to related parties	16,777
Loan availed from related party	109,573
Expenses incurred by related parties on behalf of the Company	5,374
Expenses incurred by the Company on behalf of the related party	10,798

b) Due from related party

	Relationship	2016
Electrosteel Castings Gulf FZE, UAE	<i>Common shareholding</i>	13,715
At 31 March		13,715

c) Due to related parties

	Relationship	2016
Electrosteel Castings Limited, India	<i>Shareholder</i>	994,236
Electrosteel Doha Trading LLC, Qatar	<i>Common shareholding</i>	2,312
At 31 March		996,548

d) Loan from a related party

	2016
Availed during the period	109,573
At 31 March	109,573

	2016
Current portion	109,573
At 31 March	109,573

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

NOTES TO THE 2016 CONSOLIDATED FINANCIAL STATEMENTS

Bahraini Dinars

9 CASH AND CASH EQUIVALENTS

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

10 PROVISION FOR EMPLOYEES' LEAVING INDEMNITIES

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

11 TRADE AND OTHER PAYABLES

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

12 REVENUE

	2016 (13 months)
Pipes	306,702
Fittings and accessories	85,580
	392,282

13 COST OF SALES

	2016 (13 months)
Pipes	220,631
Fittings and accessories	40,157
	260,788

NOTES TO THE 2016 CONSOLIDATED FINANCIAL STATEMENTS

Bahraini Dinars

14 DIRECT COSTS

	2016 (13 months)
Transportation	22,479
Packing materials	8,189
Others	1,763
	32,431

15 GENERAL AND ADMINISTRATIVE EXPENSES

	2016 (13 months)
Rent	21,044
Forklift expenses	5,220
Sponsorship fee	4,750
Legal and professional fee	4,599
Travelling expenses	4,340
Electricity and water charges	2,398
Communication charges	1,253
Repairs and maintenance	868
Others	1,377
	45,849

16 STAFF COSTS

	2016 (13 months)
Salaries and related costs	9,923
Labour wages	8,258
Transportation	3,025
Accommodation	1,943
Bonus	450
End of service benefits (note 10)	143
Social insurance expenses	369
Others	2,580
	26,691

17 OPERATING LEASE COMMITMENTS

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

18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

The 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 financial statements. The management 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.

a) Credit risk

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

- (i) The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Geographically the concentration of credit risk is in the GCC as majority of the Company's customers are based in GCC, hence having less of an influence on the credit risk.
- (ii) The creditworthiness of each customer is evaluated prior to sanctioning credit facilities. Appropriate procedures for follow-up and recovery are in place to monitor credit risk.
- (iii) The Company limits its exposure to credit risk on bank balances by maintaining balances with banks having high credit ratings. Given these high credit ratings, the Company does not expect any bank to fail to meet its obligations.
- (iv) Amount due from a related party pertains to the company with common ownership and therefore the Company is exposed to a very limited credit risk on this amount.

NOTES TO THE 2016 CONSOLIDATED FINANCIAL STATEMENTS
18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Bahraini Dinars

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

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

The Group is not exposed to significant credit risk based on geographic area as these amounts are due from domestic market and other GCC countries.

(v) Impairment losses

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The maximum credit risk exposure on financial assets is the carrying amount, which is net of specific provisions.

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

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

b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will 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:

2016

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

NOTES TO THE 2016 CONSOLIDATED FINANCIAL STATEMENTS

Bahraini Dinars

18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**c) Market risk**

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

(i) Currency risk

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

(ii) Interest rate risk

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

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

(iii) Other market price risk

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

The 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 shareholders 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 period. The Group is not subject to externally imposed capital requirements.

e) Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the 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 financial assets and liabilities of the Group are not materially different from their carrying values.