

**ELECTROSTEEL DOHA FOR
TRADING L.L.C.**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
31 MARCH 2024**



MOORE

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

An Independent Member Firm of Moore Global Network Limited

ELECTROSTEEL DOHA FOR TRADING L.L.C.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT AS AT AND FOR THE YEAR ENDED 31 MARCH 2024

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Electrosteel Doha For Trading L.L.C.** (the "Company"), which comprise the statement of financial position as at 31 March 2024, and the statement of profit or loss, statement of other comprehensive income, and statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position, financial performance and its cash flows for the year ended 31 March 2024 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)* together with the other ethical requirements that are relevant to our audit of the Company's financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and the applicable provisions of Qatar Commercial Companies Law, and the Company's Articles of association and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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


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

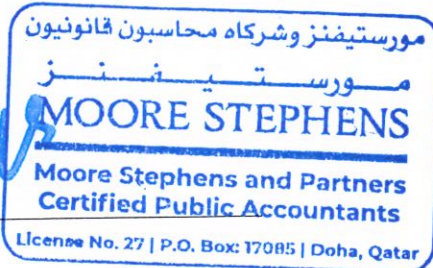
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

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


Fathi Abu Farah
Partner
Moore Stephens and Partners
Qatari Auditors' Registration Number (294)



5 May 2024
Doha, State of Qatar

ELECTROSTEEL DOHA FOR TRADING L.L.C.

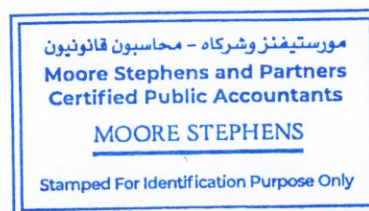
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024

	Note	2024 QR	2023 QR
ASSETS			
Non-current asset			
Property, plant and equipment	5	329	2,346
Current assets			
Inventories	6	5,928,714	4,124,483
Due from related parties	16(b)	3,715,939	9,578,279
Trade and other receivables	7	3,895,991	1,443,583
Cash and bank balances	8	690,462	1,881,142
Total current assets		14,231,106	17,027,487
TOTAL ASSETS		14,231,435	17,029,833
EQUITY AND LIABILITIES			
EQUITY			
Share capital	9	200,000	200,000
Legal reserve	10	100,000	100,000
Shareholders' current accounts	16(d)	1,163,482	1,372,347
Retained earnings		10,164,551	11,785,454
TOTAL EQUITY		11,628,033	13,457,801
LIABILITIES			
Non-current liability			
Employees' end of service benefits	11	12,151	9,350
Current liabilities			
Trade and other payables	12	2,586,155	3,562,682
Due to related party	16(c)	5,096	-
Total current liabilities		2,591,251	3,562,682
TOTAL LIABILITIES		2,603,402	3,572,032
TOTAL EQUITY AND LIABILITIES		14,231,435	17,029,833

These financial statements were approved by the Board of Directors on 5th May 2024 and were signed on its behalf by:

Shivendra Nath Agarwal

Shivendra Nath Agarwal
General Manager



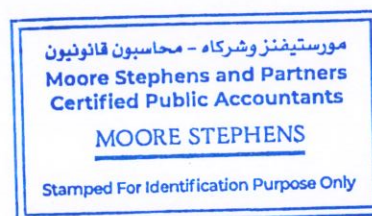
The attached notes from 1 to 22 are an integral part of these financial statements.

ELECTROSTEEL DOHA FOR TRADING L.L.C.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2024

	<i>Note</i>	2024 QR	2023 QR
Revenue	13	23,737,666	31,216,811
Cost of revenue	14	(18,609,910)	(23,685,953)
Gross profit		5,127,756	7,530,858
Other income		127,400	223,322
General and administrative expenses	15	(1,416,059)	(1,640,631)
Reversal of impairment loss on trade receivables		–	406,766
Profit before income tax		3,839,097	6,520,315
Income tax expense		–	–
Profit for the year		3,839,097	6,520,315
Other comprehensive income		–	–
Total comprehensive income for the year		3,839,097	6,520,315

The attached notes from 1 to 22 are an integral part of these financial statements.

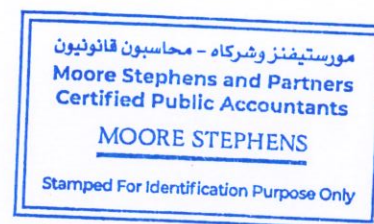


ELECTROSTEEL DOHA FOR TRADING L.L.C.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2024

2024	Share capital QR	Legal reserve QR	Shareholders' current account QR	Retained earnings QR	Total QR
As at 1 April 2023	200,000	100,000	1,372,347	11,785,454	13,457,801
Profit for the year	—	—	—	3,839,097	3,839,097
Dividend distribution (Note 19)	—	—	5,460,000	(5,460,000)	—
Movement in shareholders' current account	—	—	(5,668,865)	—	(5,668,865)
As at 31 March 2024	200,000	100,000	1,163,482	10,164,551	11,628,033
<hr/>					
2023					
As at 1 April 2022	200,000	100,000	1,890,843	18,005,139	20,195,982
Profit for the year	—	—	—	6,520,315	6,520,315
Dividend distribution	—	—	12,740,000	(12,740,000)	—
Movement in shareholders' current account	—	—	(13,258,496)	—	(13,258,496)
As at 31 March 2023	200,000	100,000	1,372,347	11,785,454	13,457,801

The attached notes from 1 to 22 are an integral part of these financial statements.

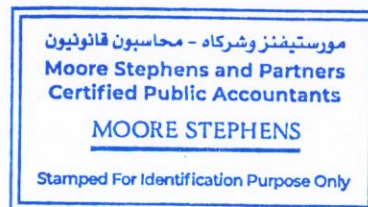


ELECTROSTEEL DOHA FOR TRADING L.L.C.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2024

	<i>Note</i>	2024 QR	2023 QR
OPERATING ACTIVITIES			
Net profit for the year		3,839,097	6,520,315
Adjustments for:			
Depreciation of property, plant and equipment	5	2,017	2,544
Employees' end of service benefits	11	2,801	6,071
Reversal of impairment loss on trade receivables		–	(406,766)
Operating profit before working capital changes		3,843,915	6,122,164
Change in:			
Inventories		(1,804,231)	2,161,439
Due from related parties		5,862,340	1,390,721
Trade and other receivables		(2,452,408)	6,909,467
Due to related parties		5,096	(364,000)
Trade and other payables		(976,527)	(410,679)
Cash generated from operating activities		4,478,185	15,809,112
Employees' end of service benefits paid		–	(50,703)
Net cash generated from operating activities		4,478,185	15,758,409
FINANCING ACTIVITIES			
Net movement in shareholders' current accounts		(5,668,865)	(13,258,496)
Net movement in due to a bank		–	(1,601,317)
Net cash used in financing activities		(5,668,865)	(14,859,813)
(Decrease)/increase in cash and bank balances		(1,190,680)	898,596
Cash and bank balances at the beginning of the year		1,881,142	982,546
Cash and bank balances at the end of the year	8	690,462	1,881,142

The attached notes from 1 to 22 are an integral part these financial statements.



ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

1. Legal status and principal activities

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

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

The registered office address of the Company is P. O. Box 80368, Building 20, Zone 27, Street 950, Doha, Qatar.

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

2.1 New standards and amendments effective in the period on or after 1 April 2023

The financial statements have been drawn up based on accounting standards, interpretations and amendments effective at 1 April 2023. The Company has adopted the following new and revised Standards and Interpretations issued by International Accounting Standards Board and the International Financial Reporting Interpretations Committee, which were effective for the current accounting period:

- *Amendments to IAS 12 Deferred Tax Related to Assets and Liabilities arising from a Single Transaction*

This amendment requires the Company to recognise deferred tax assets and liabilities gross in relation to their leases which were previously these were recognised net. There is no impact on the amounts disclosed on the statement of financial position.

- *Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules*

This amendment permits the Company to not recognise deferred tax assets and liabilities related to the Pillar Two tax reforms. Due to the uncertain nature of the tax reforms, the Company cannot quantify the impact that this has had on the amount of Deferred tax assets and liabilities not recognised on the statement of financial position in the current period. No amounts were recognised in the prior period in relation to the Pillar Two Model Rules, to which this amendment would apply.

- *IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)*

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

However, the Company does not have any contracts that meet the definition of an insurance contract under IFRS 17.

- *Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements-Disclosure of Accounting Policies*

IAS 1 replaces all instances of the term ‘significant accounting policies’ with ‘material accounting policy information, and it clarifies that information is material if, when considered together with other information included in an entity’s financial statements, can reasonably influence decisions of primary users of financial statements.

- *Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates*

The Company has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

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

2.2. New standards and amendments issued but not yet effective for years ending 31 March 2024

The Company has not applied the below new or amended standards and interpretations that have been issued by the IASB but are not yet mandatory for the financial year ended 31 March 2024. The Company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

- *Amendments to IAS 7 & IFRS 7 Supplier Financing Arrangements*

This amendment will have no impact on the amounts recognised in the financial statements but will require additional disclosures to be provided around the Company's use of supplier financing arrangements. This amendment will be effective for the 2024 Financial Statements.

- *Amendments to IAS 1 – Classification of Liabilities as Current or Non-current & Amendments to IAS 1 – Non-current Liabilities with Covenants*

These amendments together impact the classification of liabilities with covenants and any convertible notes that the Company issues with liability classified conversion features. It may impact the classification of some of the Company's debts and will require additional disclosure about the effect of the covenants on the Company. The Company is still currently assessing the impact of these amendments. They are effective for the 2024 Financial Statements.

- *Amendment to IFRS 16 Leases—Lease Liability in a Sale and Leaseback*

IFRS 16 adds subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease.

A seller-lessee applies the amendments retrospectively in accordance with IAS 8. The amendments are effective for annual reporting periods beginning on or after 1 January 2024, earlier application is permitted.

3 Basis of preparation and material accounting policies

3.1 Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board (IASB), applicable provisions of Qatar Commercial Companies Law and the Company's Articles of Association, and the applicable provision of the Qatar Commercial Companies Law No. 11 of 2015 and subsequent amendments by Law No. 8 of 2021.

The financial statements have been prepared in Qatari Riyals (QR), which is the Company's functional and presentation currency and all financial information has been rounded off to the nearest QR, unless otherwise indicated.

Basis of measurement

These financial statements have been prepared under the historical cost convention.

When an asset and liability, financial or non-financial, are measured at fair value for recognition or disclosure purposes, are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements:

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies selected for use by the Company. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in relevant notes as summarised in note 4. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates.

3.2 Material accounting policies

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

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

3. Basis of preparation and material accounting policies (Continued)

3.2 Material accounting policies (Continued)

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses except for land which is measured at fair value. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, including the capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognized in the income statement as the expense is incurred.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognized.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If any such indication exists and where the carrying value of an asset exceeds the estimated recoverable amount, the asset is written down to its recoverable amount.

Depreciation is recognised in income statement on a straight line basis over the estimated useful lives of each component of an item of property plant and equipment. Land is not depreciated. Estimated useful lives of property, plant and equipment for the current and comparative years are as follows:

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

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

Impairment of non-financial assets

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

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

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

Recognition and derecognition of financial instruments

Financial instruments, other than derivative financial instruments, are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets that are regular way purchased or sold are recognised using the trade date accounting i.e. that is when the Company commits to purchase or sell.

Financial instruments that are not trade receivables are initially measured at fair value, which generally equates to acquisition cost, which includes transaction costs for financial instruments not subsequently measured at fair value.

Trade receivables are recognised at transaction cost if they do not contain a significant financing element (IFRS 15).

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

3. Basis of preparation and material accounting policies (Continued)

3.2 Material accounting policies (Continued)

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

Recognition and derecognition of financial instruments

Financial assets are derecognised when:

- The contractual rights to cash flows from the financial asset expire, or
- the asset is transferred such that contractual rights to cash flows of the assets and the risks and rewards of ownership are transferred,

On de-recognition, the Company recognised the differences between carrying amount and consideration

In factoring arrangements and guaranteed receivables, transfer may not result in de-recognition, because the Company retains exposure to risks and rewards to some extent. The Company assesses its extended involvement and recognises a liability, such that the net of asset and liability represents the rights and obligations retained, measured based on the classification of the original asset.

Financial liabilities (or a part of) are derecognised when, and only when the obligation is extinguished — i.e. when the obligation specified in the contract is discharged or cancelled or expires. The gain or loss between the carrying value and amount paid is recognised in profit or loss.

If the terms of an existing financial liability (loans and borrowings) are substantially modified this will be considered to meet the criteria for derecognition of the original liability, and a new financial liability is recognised.

Classification and subsequent measurement of financial assets

Measurement of financial assets depends on the classification, which is determined by the business model for holding the asset and characteristics of its cash flows.

i. Amortised cost

Assets are held for the purpose of obtaining contractual cash flows, which are solely interest and principal, such as vanilla debt instruments, loans and receivables including contract assets. Interest is calculated using effective interest method and included in finance income in profit or loss. Impairment is presented in a separate line in profit or loss.

ii. Fair value through other comprehensive income (FVOCI)

If in addition to above, if the business model also includes selling the assets, then these assets are measured at fair value with changes in FVOCI. Interest income is calculated and presented as above. Impairment is included in profit or loss and reduces/ increases the fair value gain/ loss recognised in OCI reserve.

On derecognition, gains and losses are recycled to profit or loss and included in other gains/ losses.

iii. Fair value through profit or loss (FVTPL)

Assets that do not meet the criteria above are measured as FVTPL with changes in fair value presented in other gains/ losses.

For equity investments that the Company considers to be long term strategic investments, the Company has taken the election in IFRS 9 to present the changes in FVOCI. Unlike ii) above however, on sale of investments, the cumulative OCI gain/ loss will be transferred within equity and will not be recycled through profit or loss.

Dividends are recognised as other income when there is a right to receive payment.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

i. Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities, which are measured at amortised cost. Financial liabilities are classified at FVTPL if they are either held for trading or they are otherwise designated within this classification. Gains and losses on such financial liabilities are recognised within other gains and losses in the statement of comprehensive income.

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

3. Basis of preparation and material accounting policies (Continued)

3.2 Material accounting policies (Continued)

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

i. Financial liabilities

A financial liability is classified as held for trading if (a) it has been acquired principally for the purposes of subsequent short-term repurchase; (b) on initial recognition it is part of a portfolio of identified financial instruments which have a pattern of short-term profit taking; or (c) it is a derivative financial instrument that is not designated and effective as a hedging instrument

A financial liability may otherwise be designated at FVTPL upon initial recognition if such designation eliminates or reduces significantly a measurement or recognition inconsistency that would otherwise arise; or (b) the financial liability forms part of a company of financial assets, financial liabilities or both, which is managed and its performance evaluated on a fair value basis as a part of the Company's documented risk management and investment strategies; and (c) it forms part of a contract containing one or more embedded derivatives and the entire contract can be so designated in accordance with applicable financial reporting standards.

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, within finance costs in the statement of comprehensive income.

The Company derecognises financial liabilities when the obligations of the Company are discharged, cancelled or have expired.

ii. Embedded derivatives

Derivatives embedded in other financial instruments or non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at FVTPL.

Compound financial instruments issued by the Company comprise convertible loan notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

The interest expense on the liability component is calculated by applying the effective interest method. This is obtained by calculating the present value of future cash flows at a market rate for a loan without the convertible component. The difference between the effective interest rate and the interest paid is added to the carrying amount of the convertible loan note.

Interest, dividends, losses and gains relating to the financial liability are recognised in profit or loss. Distributions to the equity holders are recognised in equity, net of attributable taxation.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Currently the company does not offset financial assets and financial liabilities. The only relevant arrangement the Company is subject to is a master netting arrangement.

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

3. Basis of preparation and material accounting policies (Continued)

3.2 Material accounting policies (Continued)

Impairment

The following assets have specific characteristics for impairment testing:

Impairment of financial assets

The Company considers bank balances to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime Expected Credit Loss (ECLs) are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after 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 Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized 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 customer or issuer;
- a breach of contract such as a default or being more than 360 days past due;
- the restructuring of a loan and advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the customer will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

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

Impairment losses related to financial assets are presented under net impairment (loss) / reversal on financial assets in the income statement.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Cash and bank balance and term deposits

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

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

3. Basis of preparation and material accounting policies (Continued)

3.2 Material accounting policies (Continued)

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition, excluding borrowing costs. Cost of the inventory is determined by the weighted average cost methods and includes invoiced cost and other expenditures incurred in bringing the inventories to their present location and condition. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are financial assets stated initially at fair value which is taken to be their transaction cost and subsequently at their amortised cost less any loss allowance. Loss allowance is based on lifetime expected credit losses assess and determined at initial recognition and subsequently adjusted for any changes in expectation.

Trade receivables expected to be received in the next year are classified as current assets. If not, they are presented as non-current assets

Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with banks and highly liquid financial assets with original maturities of three months or less that are subject to an insignificant risk of change in their fair value, and are used by the Company in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Shareholders' equity

Share capital represents the total capital per commercial registration which is treated as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

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

Employees' end of service benefits

The end of service benefits to its employees is in accordance with Qatar Labor Law. The entitlement to these benefits is based upon the employees' final salary and length of service. The expected costs of these benefits are accrued over the period of employment.

Under Law No. 24 of 2002 on Retirement and Pension, the Company is required to make contributions to a government fund scheme for Qatari employees calculated as a percentage of the Qatari employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Trade and other payables

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

Provision

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

3. Basis of preparation and material accounting policies (Continued)

3.2 Material accounting policies (Continued)

Provision (Continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. When measuring fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

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

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

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

Contingent liabilities

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

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

Revenue recognition

Revenue from contract with customers

“Revenue from contract with customer” outlines a single comprehensive model of accounting for revenue arising from contract with customers and supersedes current revenue recognition guidance found across several Standards and Interpretations within IFRS. It establishes a new five-step model that will apply to revenue arising from contract with customers.

Step 1: Identify the contract(s) with customer.

Step 2: Identify the performance obligation in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate transaction price to the performance obligation in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Sale of goods

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

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

Other income

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

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

3. Basis of preparation and material accounting policies (Continued)

3.2 Material accounting policies (Continued)

Cost and expense recognition

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

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

Foreign currency transactions

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

Events after the reporting date

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

Income tax

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

4. Critical accounting estimates and judgements

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

Certain areas of financial statements require management to make judgements and estimates in application of accounting policies and measurement of reported amounts. These are continuously monitored for any factors that would lead to a change in assumption or lead to a different decision. Any changes in estimates are accounted for prospectively.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are noted below with reference to relevant notes containing further assessment of the nature and impact of the assumptions.

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

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

4. Critical accounting estimates and judgements (Continued)

Satisfaction of performance obligation

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

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how Companies of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or FVOCI that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether

Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward looking information.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP of the country in which it sells its goods to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Determining the lease term

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

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

Going concern

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

Useful lives of equipment

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

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

4. Critical accounting estimates and judgements (Continued)

Impairment of financial assets

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgement, in particular for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios and the relevant inputs used.

The Company exercises its judgement in assessing whether there has been a significant increase in credit risk in relation to a specific counterparty based on qualitative factors.

The Company also exercises its judgement in determining the relevant scenarios, the related weight of each scenario and the relevant macro-economic factors while calculating the ECL.

5. Property, plant and equipment

2024	Computer equipment QR	Furniture and fixtures QR	Total QR
<i>Cost</i>			
As at 31 March 2023	13,878	10,963	24,841
As at 31 March 2024	13,878	10,963	24,841
<i>Accumulated depreciation</i>			
As at 31 March 2023	12,157	10,338	22,495
Charge for the year	1,721	296	2,017
As at 31 March 2024	13,878	10,634	24,512
<i>Net book value</i>			
As at 31 March 2024	–	329	329
2023			
<i>Cost</i>			
As at 31 March 2022	13,878	10,963	24,841
As at 31 March 2023	13,878	10,963	24,841
<i>Accumulated depreciation</i>			
As at 31 March 2022	9,909	10,042	19,951
Charge for the year	2,248	296	2,544
As at 31 March 2023	12,157	10,338	22,495
<i>Net book value</i>			
As at 31 March 2023	1,721	625	2,346

6. Inventories

	2024 QR	2023 QR
Inventories on hand	1,918,703	1,829,805
Goods in transit	4,010,011	2,294,678
	5,928,714	4,124,483

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

7. Trade and other receivables

	2024 QR	2023 QR
Trade receivable	3,855,486	1,436,083
Refundable security deposit	7,500	7,500
Other receivables	33,005	—
	3,895,991	1,443,583

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

8. Cash and bank balances

	2024 QR	2023 QR
Cash in bank	690,458	1,875,467
Cash on hand	4	5,675
	690,462	1,881,142

9. Share capital

As at 31 March 2024 and 2023, the authorized shares of 200 at QR 1,000 par value were issued and paid. The share capital of QR 200,000 is distributed among shareholders as follows:

Name of shareholder	Nationality	Shareholding %	Profit or loss Distribution ratio	2024 QR	2023 QR
Nasser Jaralla S Jaralla	Qatari	51%	3%	102,000	102,000
Electrosteel Castings Limited	India	49%	97%	98,000	98,000
		100%	100%	200,000	200,000

10. Legal reserve

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

11. Employees' end of service benefits

	Note	2024 QR	2023 QR
As at 1 April		9,350	53,982
formed during the year	15	2,801	6,071
Payment made during the year		—	(50,703)
As at 31 March		12,151	9,350

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

12. Trade and other payables	2024 QR	2023 QR
Trade payables	430,812	239,274
Advances from customers	1,452,574	2,136,621
Accrued expenses	291,600	592,600
Others	411,169	594,187
	<u>2,586,155</u>	<u>3,562,682</u>

13. Revenue

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

a) *Type of revenue*

	2024 QR	2023 QR
<u>Trading of pipeline materials.</u>	<u>23,737,666</u>	<u>31,216,811</u>

b) *Type of goods and services*

	2024 QR	2023 QR
<u>Sale of goods</u>	<u>23,737,666</u>	<u>31,216,811</u>

c) *Timing of satisfaction of performance obligation*

	2024 QR	2023 QR
<u>Goods transferred at point in time</u>	<u>23,737,666</u>	<u>31,216,811</u>

d) *Customer relationship*

	2024 QR	2023 QR
<u>Third party</u>	<u>23,737,666</u>	<u>31,216,811</u>

14. Cost of revenue

	2024 QR	2023 QR
Cost of materials	16,641,470	20,652,323
Custom duties and taxes	1,121,865	1,267,607
Transport and handling	831,620	946,293
Others	14,955	819,730
	<u>18,609,910</u>	<u>23,685,953</u>

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

15. General and administrative expenses	Note	2024 QR	2023 QR
Rent		446,978	668,482
Salaries and related costs		730,648	655,837
Bank charges		50,459	92,715
Transportation and travel		41,532	48,227
Repairs and maintenance		8,600	29,200
Professional fees		34,000	18,000
Government fees		11,110	10,970
Employees' end of service benefits	11	2,801	6,071
Depreciation of equipment	5	2,017	2,544
Others		87,914	108,585
		1,416,059	1,640,631

16. Related party disclosures

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

a) Related party transactions

<u>Name of related parties</u>	<u>Relationship</u>	<u>Type of transactions</u>	2024 QR	2023 QR
Electrosteel Castings Ltd	Shareholder	Purchases	16,545,520	18,286,425
Electrosteel Europe S.A. Sucursal Espana	Common control	Interest on loan	127,400	127,400
Electrosteel Castings Gulf (FZE)	Common control	Purchases	89,551	–
Electrosteel Bahrain Trading W.L.L	Common control	Purchases	5,096	–

b) Due from related parties

<u>Name of related parties</u>	<u>Nature of relationship</u>	2024 QR	2023 QR
Electrosteel Castings Ltd	Shareholder	44,089	5,906,429
Electrosteel Europe SA Sucursal Espana	Under common control	3,671,850	3,671,850
		3,715,939	9,578,279

c) Due to related parties

<u>Name of related parties</u>	<u>Nature of relationship</u>	2024 QR	2023 QR
Electrosteel Bahrain Trading W.L. L	Under common control	5,096	–
		5,096	–

d) Shareholders, current accounts

	2024 QR	2023 QR
Nasser Jaralla S Jaralla	260,335	96,535
Electrosteel Castings Limited	903,147	1,275,812
	1,163,482	1,372,347

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

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

16. Related party disclosures (Continued)

e) Key management personnel compensation

	2024 QR	2023 QR
Short term benefit	168,000	168,000

17. Income tax

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

	2024 QR	2023 QR
Income before income tax	3,839,097	6,520,315
Adjustments:		
Non-deductible provision	2,801	6,071
Non-deductible depreciation	4	23
Adjustments	—	(457,469)
Taxable income	3,841,902	6,068,940
Share of non-Qatari shareholder (97%)	3,726,645	5,886,872
Income tax rate	10%	10%
Income tax due and payable	372,664	588,687

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

18. Financial risk management

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

- Market risk
- Credit risk
- Liquidity risk
- Capital risk

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board has established a finance committee which is responsible for developing and monitoring the Company's risk management strategy and policies. The committee reports regularly to the board of directors on its activities. There have been no changes to the Company's exposures to risk or the methods used to measure and manage these risks during the year.

The Company audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in the light of the risks faced by the Company.

The Company's financial instruments consist mainly of deposits with banks, trade receivable and payable, due to and from related parties, borrowings and lease liabilities.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, equity price and interest rates will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

Foreign exchange risk

The Company undertakes certain transactions denominated in foreign currencies and hence exposed to risk on exchange rate fluctuations. The use of financial derivatives governed by the Company's policies, which provide written principles on the use of financial derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes.

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

18. Financial risk management (Continued)

Market risk (Continued)

Interest rate risk management

The Company is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. Management does not hedge its interest rate risk and believes that the interest rate risk on its loans is minimal in the current business environment.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty.

Credit risk arises on trade receivables, due from related parties and cash equivalents.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Bank balances are held with reputed banks in Qatar. Given this, management do not expect these banks to fail on their obligations.

Trade receivables have adopted the same simplified approach and loss allowance is calculated based on lifetime expected credit losses. Contract assets and trade receivables are determined to have the same credit risk exposures as fundamentally based on the same customers.

To measure the expected credit losses, management has used historic data % of settled sales per days overdue. This data was analysed further to create a profile by segment, region, product/ service offered and type of customer.

The Company's maximum exposure to credit risk as at the reporting date is the carrying amount of its financial assets, which are the following:

	12 month or lifetime ECL	Gross carrying amount QR	Loss allowance QR	Net carrying amount QR
2024				
Trade receivables	Lifetime ECL	3,855,486	–	3,855,486
Due from related parties	12-month ECL	3,715,939	–	3,715,939
Cash in banks	12-month ECL	690,458	–	690,458
2023				
Trade receivables	Lifetime ECL	1,436,083	–	1,436,083
Due from related parties	12-month ECL	9,578,279	–	9,578,279
Cash in banks	12-month ECL	1,875,467	–	1,875,467

The aging of trade receivables as at 31 March follows:

	2024 QR	2023 QR
Aged 0 – 60 days	1,209,596	1,072,389
Aged 61 – 90 days	2,634,223	183,133
More than 90 days	11,667	180,561
	3,855,486	1,436,083

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below summarizes the contractual undiscounted maturities of the Company's financial liabilities at the reporting date. The Company's financial liabilities include any contractual interest payments

ELECTROSTEEL DOHA FOR TRADING L.L.C.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

18. Financial risk management (Continued)

Liquidity risk (Continued)

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

2024	Less than 12 months QR	More than 12 months QR	Total QR
Trade payables	430,812	–	430,812

2023	Less than 12 months QR	More than 12 months QR	Total QR
Trade payables	239,274	–	239,274

Capital management

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

The Company sets the amount of capital funds in accordance with the planned level of operations and in proportion to the levels of risk. The Company manages the shareholders' funds and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the shareholders' funds, the Company may adjust the amount of dividends paid to shareholders, return funds to shareholders, issue new shares, or sell assets to reduce its exposure to debt. No changes were made in the objectives, policies or processes during the year ended 31 March 2024. The company's equity comprises share capital, legal reserve, shareholders' current accounts and retained earnings.

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

19. Dividends

The board meetings of the Company that were held on 24th April 2023 and 24th January 2024 and approved distributing cash dividends amounting to USD 750,000 and USD 750,000 respectively which is equivalent to QR 5,460,000 to the shareholders of the Company.

20. Commitment and contingencies

Legal claims

The Company is subject to litigation and claims in the normal course of its business. The Company, based on independent legal advice, does not believe that the outcome of these cases will have a material impact on the Company's income or financial position.

21. Subsequent events

There were no significant events after the reporting date, which have a bearing on these financial statements.

22. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation in the current year's financial statements. However, such reclassification does not have any effect on the net income, net assets and equity of the previous year.