

Blue Star Qatar WLL

Financial statements

For the year ended 31 March 2018

Blue Star Qatar WLL
Financial statements for the year ended 31 March 2018

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Blue Star Qatar WLL
Administration and contact details as at 31 March 2018

Commercial registration no.	34775 obtained on 12 February 2007
Shareholders	Al Malki Trading and Contracting Company WLL Blue Star India Limited
Registered office	P.O. Box 47242 Doha State of Qatar
Banker	HSBC Bank Middle East Limited Standard Chartered Bank Doha Bank Barwa Bank Mashreq Bank Qatar National Bank
Auditors	BDO 38 th Floor, Palm Tower (B) West Bay, Doha State of Qatar P.O. Box 24139

Independent auditor's report to the shareholders of Blue Star Qatar WLL

Opinion

We have audited the financial statements of Blue Star Qatar WLL ("the Company"), which comprise the statement of financial position as at 31 March 2018, the statement of profit or loss and other comprehensive income, statement of changes in shareholders equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects of the financial position of the Company as at 31 March 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Responsibilities of Management and Those Charged with Governance ("TCWG") for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, 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 have no realistic alternative but to do so.

Those charged with governance are 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.

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.

**Independent auditor's report to the shareholders of
Blue Star Qatar WLL (continued)**

Auditor's responsibilities for the audit of the financial statements (continued)

- 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 Number 11 of 2015, we report that:

- (1) we have obtained all the information we considered necessary for the purpose of our audit and
- (2) the Company has maintained proper books of account and the financial statements are in agreement therewith.

In addition, we report that nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the Qatar Commercial Companies Law or memorandum and article of association of the Company, which would materially affect its activities, or its financial position as at 31 March 2018.



Gavin James Brown
BDO
Doha, State of Qatar
License No. 288
12 April 2018

Blue Star Qatar WLL
Statement of financial position as at 31 March 2018
(Expressed in Qatari Riyals)

	Notes	31 March 2018	31 March 2017
ASSETS			
Non-current assets			
Property and equipment	5	<u>1,066,588</u>	<u>1,252,159</u>
Total non-current assets		<u>1,066,588</u>	<u>1,252,159</u>
Current assets			
Trade and other receivables	6	46,625,764	45,859,400
Cash and bank balance	7	<u>1,972,424</u>	<u>7,777,293</u>
Total current assets		<u>48,598,188</u>	<u>53,636,693</u>
Total assets		<u>49,664,776</u>	<u>54,888,852</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	8	200,000	200,000
Statutory reserves	9	100,000	100,000
Retained earnings		<u>15,073,952</u>	<u>12,007,848</u>
Total equity		<u>15,373,952</u>	<u>12,307,848</u>
Non-current liabilities			
Non-current portion of bank borrowings	11	171,506	202,606
Employees' end of service benefits	10	<u>1,304,648</u>	<u>1,131,125</u>
Total non-current liabilities		<u>1,476,154</u>	<u>1,333,731</u>
Current liabilities			
Current portion of bank borrowings	11	7,486,290	8,909,397
Trade and other payables	12	24,906,791	32,021,327
Income tax payable	19	<u>421,589</u>	<u>316,550</u>
Total current liabilities		<u>32,814,670</u>	<u>41,247,274</u>
Total equity and liabilities		<u>49,664,776</u>	<u>54,888,853</u>

These financial statements, including pages 6 to 23, were approved by the shareholders on 12 April 2018 and signed on their behalf by:



Mr. M.V.P Raju
General Manager




Blue Star Qatar WLL
Statement of profit or loss and other comprehensive income
for the year ended 31 March 2018
(Expressed in Qatari Riyals)

	<u>Notes</u>	<u>Year ended 31 March 2018</u>	<u>Year ended 31 March 2017</u>
Contract revenue		63,023,088	60,274,272
Contract costs	13	<u>(56,483,990)</u>	<u>(54,433,803)</u>
Gross profit		6,539,098	5,840,469
Other income		53,412	16,301
Expenses			
Staff cost	14	(1,552,914)	(1,377,649)
General and administrative expenses	15	(643,545)	(718,611)
Depreciation	5	(445,371)	(433,372)
Finance cost	16	<u>(462,987)</u>	<u>(843,008)</u>
Profit before income tax for the year		3,487,693	2,484,131
Income tax expense	19	<u>421,589</u>	<u>316,550</u>
Net profit after income tax for the year		3,066,104	2,167,581
Other comprehensive income		-	-
Net profit and total comprehensive income for the year transferred to retained earnings		<u>3,066,104</u>	<u>2,167,581</u>

Blue Star Qatar WLL
Statement of changes in shareholders' equity for the year ended 31 March 2018
(Expressed in Qatari Riyals)

	<u>Share capital</u>	<u>Statutory reserves</u>	<u>Retained earnings</u>	<u>Total</u>
At 1 April 2016	200,000	100,000	9,840,267	10,140,267
Net profit and total comprehensive income for the year	-	-	<u>2,167,581</u>	<u>2,167,581</u>
As at 31 March 2017	<u>200,000</u>	<u>100,000</u>	<u>12,007,848</u>	<u>12,307,848</u>
At 1 April 2017	200,000	100,000	12,007,848	12,307,848
Net profit and total comprehensive income for the year	-	-	<u>3,066,104</u>	<u>3,066,104</u>
As at 31 March 2018	<u>200,000</u>	<u>100,000</u>	<u>15,073,952</u>	<u>15,373,952</u>

Blue Star Qatar WLL
Statement of cash flows for the year ended 31 March 2018
(Expressed in Qatari Riyals)

	Notes	Year ended 31 March 2018	Year ended 31 March 2017
Cash flows from operating activities			
Net profit before income tax for the year		3,487,693	2,484,131
Adjustments for:			
Depreciation	5	445,371	433,372
Employees end of service benefits, net	10	173,523	195,359
Finance cost		462,987	843,007
Loss on disposals/discards of property and equipment		7	27,334
Operating cash flows before changes in working capital		<u>4,569,581</u>	<u>3,983,203</u>
Changes in operating assets and liabilities:			
Increase in trade and other receivables		(766,363)	(6,367,756)
(decrease) / increase in trade and other payables		<u>(7,114,536)</u>	<u>8,818,563</u>
Income tax paid		(3,311,318)	6,434,010
Net cash used in by (provided) operating activities		<u>(3,627,868)</u>	<u>6,235,318</u>
Cash flows from investing activities			
Proceeds from disposal/discards of property and equipment		-	4,500
Movement in margin deposit with banks		2,537,000	-
Purchase of property and equipment	5	<u>(259,807)</u>	<u>(652,470)</u>
Net cash used in investing activities		<u>2,277,193</u>	<u>(647,970)</u>
Cash flows from financing activities			
Bank borrowing, net movement		(1,454,207)	(1,049,165)
Finance cost paid		<u>(462,987)</u>	<u>(843,007)</u>
Net cash used in financing activities		<u>(1,917,194)</u>	<u>(1,892,172)</u>
Net change in cash and cash equivalents		(3,267,869)	3,696,176
Cash and cash equivalents, beginning of the year	7	<u>5,240,293</u>	<u>1,544,117</u>
Cash and cash equivalents, end of the year	7	<u><u>1,972,424</u></u>	<u><u>5,240,293</u></u>

1 Organisation and activities

Blue Star Qatar WLL (the “Company”) is a Company with limited liability registered with the Ministry of Economic and Commerce in the State of Qatar, and operates under commercial registration number 34775 obtained on 12 February 2007.

The Company is principally engaged in the business of designing, engineering, installation and maintenance of Mechanical, Electrical, Plumbing (MEP) contracts and all works related to heating ventilation and air conditioning systems.

The Register Office of the Company is in the Doha, State of Qatar.

2 Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as promulgated by the International Accounting Standards Board (“IASB”), interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) and the requirements of the Qatar Commercial Companies Law.

Basis of presentation

The financial statements have been prepared under historical cost convention and on-going concern assumption. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies.

Functional currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). These financial statements are presented in Qatari Riyal (“QR”) which is the functional and presentational currency of the Company.

Improvements/amendments to IFRS/IAS 2014/2016 cycle

Improvements/amendments to IFRS/IAS issued in 2014/2016 cycle contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. ‘Improvements to IFRS’ comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for the Company’s annual audited financial statements beginning on or after 1 January 2017 and subsequent periods with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

Standards, amendments and interpretations effective and adopted in the year 2017-18

The following new standards, amendment to existing standards or interpretations to published standards are mandatory for the first time for the financial year beginning 1 January 2017 and have been adopted in the preparation of the financial statements:

<u>Standard or Interpretation</u>	<u>Title</u>	<u>Effective for annual periods beginning on or after</u>
IAS 7	Statement of Cash Flows	1 January 2017

2 Basis of preparation (continued)

These amendments aim to improve disclosures about an entity's debt. Disclosures are required to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. One way to comply with this disclosure would be to present a reconciliation of the opening and closing carrying amounts for each item for which cash flows have been or would be classified as financial activities.

Standards, amendments and interpretations issued and effective in 2017-18 but not relevant

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IAS 12	Income Taxes	1 January 2017
IFRS 12	Disclosure of Interest in Other Entities	1 January 2017

Standards, amendments and interpretations issued but not yet effective in the year 2017-18

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 31 March 2018. They have not been adopted in preparing the Financial statements for the year ended 31 March 2018 and are expected to affect the entity in the period of initial application. In all cases, the entity intends to apply these standards from application date as indicated in the table below.

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IAS 28	Investments in Associates and Joint Ventures	1 January 2018
IAS 40	Investment Property	1 January 2018
IFRS 2	Share-based Payment	1 January 2018
IFRS 4	Insurance Contracts	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

There would have been no change in the operational results of the Company for the year ended 31 March 2018 had the Company early adopted any of the above standards applicable to the Company.

Early adoption of amendments or standards in the year 2017-18

The Company did not early-adopt any new or amended standards in the year 2017-18.

3 Significant accounting policies

A summary of the significant accounting policies adopted in the preparation of these financial statements is set out below.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment if any. Cost includes all costs directly attributable to bringing the asset to a working condition for its intended use.

Depreciation is calculated on the straight-line method to write-off the cost of property and equipment to their estimated residual values over their expected useful lives as determined by the management which are as follows:

Tools and machineries	6 years
Computer and software	3 years
Furniture and fixtures	5 to 6 years
Motor vehicles	5 years

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining net profit.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

Revenue from services rendered is recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Other income is accounted for on the accruals basis, unless collectability is in doubt.

Financial assets

Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the branch will not be able to collect all amounts due according to the original terms of the receivables. Impaired trade receivables which are not considered recoverable are written-off when they are identified.

Cash and bank balances

Cash and bank balances comprise cash on hand, bank balances and margin deposit with bank.

3 Significant accounting policies (continued)

Financial liabilities

The financial liabilities of the Company consist of bank borrowings and trade and other payables. These financial liabilities are initially recognised at fair value and are subsequently re-measured at amortised cost using the effective interest method.

Bank borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. In subsequent periods, these are stated at amortised cost using the effective yield method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

Trade and other payables

Trade payables are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation in future and the amount of the obligation can be reliably estimated.

Impairment of financial assets

A 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 flows of that asset. All impairment losses are recognised in the statement of profit or loss and other comprehensive income.

Assets are carried at cost, Impairment is the difference between carrying value and the present value of future cash flows discounted at the effective rate of return for a similar financial asset.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Impairment of non- financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated.

3 Significant accounting policies (continued)

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised the statement of profit or loss and other comprehensive income.

Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

Employee's end of service benefits

These are employee's end of service benefits payable to the Company's employees. The entitlement to these benefits is based upon the employee's salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment and are calculated in accordance with the provisions of the Qatar Labour Law. The Company accrues for its liability in this respect on an annual basis.

Foreign currency transactions

Foreign currency transactions are accounted for at the rates of exchange prevailing at the dates of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation, at the period-end rates, of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of profit or loss and comprehensive income.

Income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the financial position date. The management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

4 Critical accounting judgments and key source of estimation uncertainty

Preparation of the financial statements in accordance with IFRS requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

The determination of estimates requires judgments which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates.

The most significant areas requiring the use of management estimates and assumptions in these financial statements relate to:

- economic useful lives of property and equipment;
- fair value measurement,
- provisions; and
- contingencies.

4 Critical accounting judgments and key source of estimation uncertainty (continued)

Economic useful lives of property and equipment

The Company's property and equipment are depreciated on a straight-line basis over their economic useful lives.

Useful economic lives of property and equipment are reviewed by management periodically. The review is based on the current condition of the assets and the estimated period during which they will continue to bring an economic benefit to the Company.

Fair value measurement

A number of assets and liabilities included in the financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Company's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted)

Level 2: Observable direct or indirect inputs other than Level 1 inputs

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item and transfers of items between levels are recognised in the period they occur.

The financial assets and financial liabilities of the Company that either require fair value measurements or only fair value disclosures as at 31 March 2018.

Provision

The Company creates a provision for end of service benefits. At 31 March 2018, in the opinion of the Company's management, a provision of QR 1,304,648 is required towards end of service benefits (31 March 2017: QR 1,131,125). The entitlement to these benefits is based upon the employee's salary and length of service, subject to the completion of a minimum service of one year. The expected costs of these benefits are accrued over the year of employment and are calculated in accordance with the provisions of the Qatar Labor Law.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Blue Star Qatar WLL
Notes to the financial statements for the year ended 31 March 2018
(Expressed in Qatari Riyals)

5 Property and equipment

<u>Cost</u>	<u>Tools and machineries</u>	<u>Computer and software</u>	<u>Furniture and fixtures</u>	<u>Motor vehicles</u>	<u>Total</u>
At 31 March 2016	731,736	468,805	394,354	1,292,350	2,887,245
Additions	148,013	49,657	12,800	442,000	652,470
Deletions	(136,130)	-	-	(34,000)	(170,130)
At 31 March 2017	743,619	518,462	407,154	1,700,350	3,369,585
Additions	39,500	32,706	20,100	167,501	259,807
Deletions / Discarded	-	(28,248)	-	-	(28,248)
At 31 March 2018	<u>783,119</u>	<u>522,920</u>	<u>427,254</u>	<u>1,867,851</u>	<u>3,601,144</u>
<u>Accumulated depreciation</u>					
At 31 March 2016	403,015	365,357	213,717	840,260	1,822,349
Charge for the year	116,725	47,821	60,966	207,860	433,372
Disposal	(104,295)	-	-	(34,000)	(138,295)
At 31 March 2017	415,445	413,178	274,683	1,014,120	2,117,426
Charge for the year	98,544	59,691	50,926	236,210	445,371
Deletion / Discarded	-	(28,241)	-	-	(28,241)
At 31 March 2018	<u>513,989</u>	<u>444,628</u>	<u>325,609</u>	<u>1,250,330</u>	<u>2,534,556</u>
<u>Net book value</u>					
At 31 March 2018	<u>269,130</u>	<u>78,292</u>	<u>101,645</u>	<u>617,521</u>	<u>1,066,588</u>
At 31 March 2017	<u>328,174</u>	<u>105,284</u>	<u>132,471</u>	<u>686,230</u>	<u>1,252,159</u>

6 Trade and other receivables

	<u>31 March 2018</u>	<u>31 March 2017</u>
Trade receivables	21,487,427	19,571,586
Retention receivables	21,908,828	18,390,578
Unbilled revenue	1,313,733	5,493,634
Advances to suppliers	1,787,376	2,314,563
Due from related party (note 18)	64,787	40,177
Prepayments and other receivables	63,613	48,862
	<u>46,625,764</u>	<u>45,859,400</u>

The ageing of trade receivables is as follows:

	<u>31 March 2018</u>	<u>31 March 2017</u>
Less than 4 months	18,870,166	15,646,890
More than 4 months	2,617,261	3,924,696
Total	<u>21,487,427</u>	<u>19,571,586</u>

Blue Star Qatar WLL
Notes to the financial statements for the year ended 31 March 2018
(Expressed in Qatari Riyals)

7 Cash and bank balance

	<u>31 March 2018</u>	<u>31 March 2017</u>
Cash on hand	54,000	53,100
Balance with banks	<u>1,918,424</u>	<u>5,187,193</u>
Cash and cash equivalents	1,972,424	5,240,293
Margin deposits	-	<u>2,537,000</u>
Cash and bank balance	<u><u>1,972,424</u></u>	<u><u>7,777,293</u></u>

The current account balance with a bank is non-interest bearing.

8 Share capital

The share capital of the Company consists of 100 shares of QR 2,000 each. The distribution pattern of the share capital at 31 March 2018 is as follows:

Name of the shareholders	<u>Number of shares</u>	<u>Amount</u>	<u>Percentage of Ownership Interest</u>
Al Malki Trading and Contracting WLL	51	102,000	51%
Blue Star Limited	<u>49</u>	<u>98,000</u>	<u>49%</u>
	<u>100</u>	<u>200,000</u>	<u>100%</u>

9 Statutory reserve

Under the provisions of the Qatar Commercial Companies Law, an amount equivalent to 10% of the Company's net profit before appropriations is required to be transferred to a non-distributable reserve account until such time as a minimum of 50% of the share capital is set aside. Closing balance of the statutory reserve for the year amounted to QR 100,000 (31 March 2017: QR 100,000).

10 Employees' end of service benefits

These are Company's end of service benefits payable to its employees. The entitlement to these benefits is based upon the employee's salary and length of service, subject to the completion of a minimum service year. The expected costs of these benefits are accrued over the year of employment and are calculated in accordance with the provisions of the Qatar Labour Law.

The movement in the provision for employees' end of service benefits recognised in the statement of financial position is as follows:

	<u>31 March 2018</u>	<u>31 March 2017</u>
Balance of beginning of year	1,131,125	935,765
Provision for the year	311,964	306,020
Payment during the year	<u>(138,441)</u>	<u>(110,660)</u>
Balance at end of year	<u><u>1,304,648</u></u>	<u><u>1,131,125</u></u>

Blue Star Qatar WLL
Notes to the financial statements for the year ended 31 March 2018
(Expressed in Qatari Riyals)

11 Bank borrowings

	<u>31 March 2018</u>	<u>31 March 2017</u>
Trade finance	4,361,748	5,239,909
Bill discounting	2,999,524	3,513,948
Vehicle loan	<u>296,524</u>	<u>358,146</u>
Total borrowings	7,657,796	9,112,003
Less: Non-current portion	<u>171,506</u>	<u>202,606</u>
Current portion	<u><u>7,486,290</u></u>	<u><u>8,909,397</u></u>

- I. Trade finance facility from banks is secured by the corporate guarantees of the shareholders and is repayable within 60 to 180 days and bears market interest rates.
- II. Billing discounting facilities from Banks is secured by corporate guarantee of shareholders and is repayable within 60 to 90 days and bear market interest rates.
- III. Vehicle loans are secured against the motor vehicles for which they were obtained and are repayable in equal monthly instalments over 48 months and bears market interest rates.

12 Trade and other payables

	<u>31 March 2018</u>	<u>31 March 2017</u>
Trade payables	7,808,671	7,599,720
Advance from customer	4,485,604	11,060,776
Accruals	9,544,375	9,573,827
Due to related parties (Note 18)	-	742,904
Employee benefits payable	1,821,000	1,688,314
Retention payable	1,183,129	1,256,284
Other payables	<u>64,012</u>	<u>99,502</u>
	<u><u>24,906,791</u></u>	<u><u>32,021,327</u></u>

Trade payables are normally settled within 90 to 120 days of the vendors' invoice date.

As at 31 December, the maturity profile of trade and other payables are as follows:

	<u>31 March 2018</u>	<u>31 March 2017</u>
Less than 3 months	7,196,265	6,475,105
More than 3 months	<u>612,406</u>	<u>1,124,615</u>
Total	<u><u>7,808,671</u></u>	<u><u>7,599,720</u></u>

Blue Star Qatar WLL
Notes to the financial statements for the year ended 31 March 2018
(Expressed in Qatari Riyals)

13 Contract cost	<u>31 March 2018</u>	<u>31 March 2017</u>
Material cost	30,523,423	31,263,585
Labour cost	7,241,267	7,764,382
Sub-contract cost	8,360,106	7,966,809
Employee end of service benefits (Note 10)	157,205	185,674
Other contract cost	<u>10,201,989</u>	<u>7,253,353</u>
	<u>56,483,990</u>	<u>54,433,803</u>
14 Staff cost	<u>31 March 2018</u>	<u>31 March 2017</u>
Staff salary	1,158,625	988,900
Leave salary	82,234	125,364
Employee end of service benefit (Note 10)	154,759	99,049
Other staff benefits	<u>157,296</u>	<u>164,336</u>
	<u>1,552,914</u>	<u>1,377,649</u>
15 General and administrative expenses	<u>31 March 2018</u>	<u>31 March 2017</u>
Legal and professional fees	172,510	246,095
Rent (Note 17)	240,000	240,000
Telephone fax and internet charges	16,157	29,325
Loss on sale/discards of assets	7	31,833
Travelling expenses	13,229	15,336
Repairs and maintenance	32,594	20,830
Motor vehicle expenses	48,801	38,322
Government fee	13,187	17,655
Water and electricity charges	6,409	8,437
Advertisement and promotion	7,106	9,780
Tender fees	28,574	14,400
Printing and stationery	5,664	4,652
Insurance expenses	6,648	6,584
Other expenses	<u>52,659</u>	<u>35,361</u>
	<u>643,545</u>	<u>718,610</u>
16 Finance cost	<u>31 March 2018</u>	<u>31 March 2017</u>
Interest in borrowings	141,266	313,031
Other finance costs	<u>321,721</u>	<u>529,977</u>
	<u>462,987</u>	<u>843,008</u>
17 Operating lease agreement		

The Company leases its office for a period of one year and is renewable every year at the option of the lessor and the Company. The lease agreement requires issuance of postdate cheques. Rent expense for the year ended 31 March 2018 amounted to QR 240,000 (31 March 2017: QR 240,000).

18 Transactions and balances with 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. Transactions with related parties are conducted in the normal course of business and are authorized by the management.

Related parties include shareholders and companies under common control.

		<u>31 March 2018</u>	<u>31 March 2017</u>
<u>Due to related parties</u>	<u>Relationship</u>		
Blue Star Limited	Shareholder	-	311,170
Blue Star Design and Engineering	Under common control	-	431,734
		<u>-</u>	<u>742,904</u>
<u>Due from related parties</u>	<u>Relationship</u>		
Blue Star Middle East	Under common control	<u>64,787</u>	<u>40,177</u>

Amounts due to/from related parties are unsecured, bear no interest, have no fixed repayment terms, and are authorised by the management.

Below is the summary of related party transactions:

	<u>31 March 2018</u>	<u>31 March 2017</u>
Reimbursement of expenses received	213,214	121,916

19 Income tax

The major components of income tax are as follows:

	<u>31 March 2018</u>	<u>31 March 2017</u>
Current income tax expense	<u>421,589</u>	<u>316,550</u>

Reconciliation between the tax profit and accounting profit before tax for the year ended 31 December 2017 and 2018 is as follows.

	<u>31 March 2018</u>	<u>31 March 2017</u>
Profit before tax	3,487,693	2,484,131
Adjustments for:		
Non-deductible expenses;		
Undeductible provisions	876,860	817,386
Undetectable depreciation	<u>73,230</u>	<u>30,583</u>
Taxable income	4,437,783	3,332,100
Income tax rate	10%	10%
Shares of non- resident Qatari in profit	<u>95%</u>	<u>95%</u>
Income tax payable	<u>421,589</u>	<u>316,550</u>

20 Financial assets and liabilities and risk management

Financial assets and liabilities carried on the statement of financial position include trade and other receivables, trade and other payables and bank borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a healthy equity ratio in order to support its business and maximize owners' value.

The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions.

	<u>31 March 2018</u>	<u>31 March 2017</u>
Trade and other payables	24,906,791	32,021,327
Bank borrowing	7,657,796	9,112,003
Less: Cash and bank balance	<u>(1,972,424)</u>	<u>(7,777,293)</u>
Net debt (a)	<u>30,592,163</u>	<u>33,356,037</u>
Total equity	<u>15,373,952</u>	<u>12,307,848</u>
Total equity and net debt (b)	<u>45,966,115</u>	<u>45,663,885</u>
Gearing ratio(a/b)	<u>67%</u>	<u>73%</u>

Risk management

Risk management is carried out by the general manager of the Company. The general manager provide principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rates, credit risk and investment of excess liquidity.

Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and bank balance
- Trade and other payables
- Bank borrowings

A summary of the financial instruments held by category is provided below as at 31 March 2017:

<u>Financial assets</u>	<u>31 March 2018</u>	<u>31 March 2017</u>
Trade and other receivables	46,625,764	45,859,400
Cash and bank balance	<u>1,972,424</u>	<u>7,777,293</u>
	<u>48,598,188</u>	<u>53,636,693</u>
<u>Financial liabilities</u>	<u>31 March 2018</u>	<u>31 March 2017</u>
Trade and other payables	24,906,791	32,021,327
Bank borrowings	<u>7,657,796</u>	<u>9,112,003</u>
Total financial liabilities	<u>32,564,587</u>	<u>41,133,330</u>

20 Financial assets and liabilities and risk management (continued)

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. Cash is placed with a bank with a good credit rating.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's assets and liabilities are not sensitive to interest rate risk.

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity risk is managed by monitoring on a regular basis to help ensure that sufficient funds are available to meet all liabilities as they fall due.

Currency rate risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Fair value measurement

Fair value is the amount 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.

Financial instruments not measured at fair value on recurring basis include trade and other receivables, bank borrowings and trade and other payables. In the opinion of the management, due to the short-term nature of these financial instruments, the fair value of these financial instruments is not significantly different from their carrying amounts as at 31 March 2018.

The following table sets out the assets and liabilities for which fair values are disclosed in the notes:

<u>Item</u>	<u>Fair value</u>	<u>Valuation technique</u>	<u>Fair value hierarchy level</u>	<u>Significant observable inputs</u>
Trade receivables	21,487,427	The carrying amount of short term (less than 12 months) trade receivables and payables approximates its fair values	Level 3	Not applicable
Trade payables	7,808,671		Level 3	Not applicable

21 Contingent liabilities

At 31 March 2018, there were contingent liabilities arising in the ordinary course of business which include outstanding letters of guarantee, letters of credit and performance bonds amounting to QR 36,013,452 (31 March 2017: QR 41,631,531).

22 Subsequent events

There were no events subsequent to 31 March 2018 and occurring before the date of the report that are expected to have a significant impact on these financial statements.

23 Notes supporting statement of cash flows

	Non- current loans & borrowings (Note 11)	current loans & borrowings (Note 11)
As at 1 April 2017	202,606	8,909,397
Cash flows	-	(8,909,397)
Non cash flows		
- Loans and borrowings classified as non-current at 1 April 2017 becoming current during 2017-18	<u>(100,517)</u>	<u>100,517</u>
	<u>102,089</u>	<u>100,517</u>
As at 1 April 2016	137,685	10,023,483
Cash flows	-	(10,023,483)
Non cash flows		
- Loans and borrowings classified as non-current at 1 April 2016 becoming current during 2016-17	<u>(95,899)</u>	<u>95,899</u>
	<u>41,786</u>	<u>95,899</u>

24 Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.