

**KALPATARU IBN OMAIRAH COMPANY LIMITED  
(LIMITED LIABILITY COMPANY)**

**FINANCIAL STATEMENT  
AND  
AUDITORS' REPORT FOR THE YEAR ENDED  
MARCH 31, 2018**

## INDEPENDENT AUDITOR'S REPORT

To the Partners' of KALPATARU IBN OMAIRAH COMPANY LIMITED  
(LIMITED LIABILITY COMPANY)  
Riyadh – Saudi Arabia

### Report on the audit of the financial statements

#### Opinion

We have audited the accompanying financial statements of Kalpataru IBN Omairah Company Limited (LIMITED LIABILITY COMPANY) ("the Company"), which comprise the statement of financial position as at March 31, 2018, and the statement of income, statement of changes in partners' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

#### Basis of Opinion

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

We conducted our audit in accordance with international Standards on Auditing (ISA), as endorsed in the Kingdom of Saudi Arabia. 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 Kingdom of Saudi Arabia, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Emphasis of Matter

We draw attention to note 1 to the accompanying financial statements, Company completed its contract with Saudi Electric Company ("SEC") and enter into different tenders in order to pursue new projects.

#### Responsibilities of Management

Management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia, the article of association of the Company and the Companies laws 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.

## **Auditors' 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 international Standards on auditing (ISA) as endorsed in the Kingdom of Saudi Arabia 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 international Standards on auditing (ISA) as endorsed in the Kingdom of Saudi Arabia 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.

### **Report on requirements of regulation and other regulatory:**

During our current auditing of financial statement of Kalpataru IBN Omairah Company Limited (LIMITED LIABILITY COMPANY), we have not encountered any violation of the article of association of the company and company's laws.

**Aldar Audit Bureau  
Abdullah AlBasri & Co.**

**Abdullah M. AlBasri  
Certified Public Accountant  
(License No.171)**

Riyadh, 01 Ramadan 1439H  
Corresponding to May 17,2018

**KALPATARU IBN OMAIRAH COMPANY LIMITED**  
**(A LIMITED LIABILITY CO.)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2018**

	Notes	2018 <u>SR</u>	2017 <u>SR</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	22,012	3,623,805
Inventory	4	42,577	619,813
Trade and other receivables	5	16,780,986	30,268,325
<b>Total current assets</b>		<u>16,845,575</u>	<u>34,511,943</u>
<b>Non-current assets</b>			
Fixed asset	7	292,916	544,956
<b>Total assets</b>		<u>17,138,491</u>	<u>35,056,899</u>
<b>Liabilities and Partners' equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	8	1,462,760	5,759,120
Other current liabilities	9	750,180	739,046
Provisions	10	130,718	1,422,857
Due to related parties	6	5,381,224	18,339,241
<b>Total current liabilities</b>		<u>7,724,882</u>	<u>26,260,264</u>
<b>Total liabilities</b>		<u>7,724,882</u>	<u>26,260,264</u>
<b>Partners' equity</b>			
Capital	11	500,000	500,000
Statutory reserve	12	150,000	150,000
Retained earnings		8,763,609	8,146,635
<b>Total partners' equity</b>		<u>9,413,609</u>	<u>8,796,635</u>
<b>Total liabilities and partners' equity</b>		<u>17,138,491</u>	<u>35,056,899</u>

**KALPATARU IBN OMAIRAH COMPANY LIMITED**  
**(A LIMITED LIABILITY CO.)**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED MARCH 31, 2018**

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
		SR	SR
Revenues	13	8,653,241	73,538,352
Cost of revenues	14	(6,587,157)	(59,279,210)
<b>Gross profit</b>		<u>2,066,084</u>	<u>14,259,142</u>
<b>Operating expenses:</b>			
General and administrative expenses	15	(961,193)	(1,572,151)
Depreciation	7	(114,582)	(51,591)
<b>Operating profit</b>		<u>990,309</u>	<u>12,635,400</u>
Exchange loss		(35,255)	(36,775)
Finance charge		(210,752)	(1,885,125)
Other income		3,390	---
<b>Net Profit for the year</b>		<u>747,692</u>	<u>10,713,500</u>

KALPATARU IBN OMAIRAH COMPANY LIMITED  
(A LIMITED LIABILITY CO.)  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2018**

	Notes	2018 SR	2017 SR
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit before income tax and zakat		747,692	10,713,500
<b>Adjustments to reconcile profit for the year to net cash from operating activities</b>			
Depreciation	7	114,582	51,591
Gain on sale of fixed assets		(3,390)	---
Prior year adjustment		160	---
Operating profit before changes in working capital		<u>859,044</u>	<u>10,765,091</u>
<b>Changes in working capital</b>			
Trade and other receivable		13,487,339	(27,951,858)
Inventory		577,235	(619,813)
Due from related party		---	5,115,102
Trade and other payable		(4,296,360)	(2,591,494)
Other current liabilities		11,134	739,046
Due to related parties		<u>(12,958,017)</u>	<u>17,604,579</u>
		<u>(2,319,625)</u>	<u>(7,704,438)</u>
Zakat and Income tax paid	10	(1,423,017)	---
Net cash flows (used in)/ from operating activities		<u>(3,742,642)</u>	<u>3,060,653</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for additions to fixed assets	7	---	(578,513)
Proceeds from disposals of fixed assets	7	140,849	---
Net cash flows from/(used in) investing activities		<u>140,849</u>	<u>(578,513)</u>
Net (decrease)/increase in cash and cash equivalent		<u>(3,601,793)</u>	2,482,140
Cash and cash equivalent at beginning of the year		3,623,805	1,141,665
Cash and cash equivalents at end of the year	3	<u>22,012</u>	<u>3,623,805</u>

**KALPATARU IBN OMAIRAH COMPANY LIMITED**  
**(A LIMITED LIABILITY CO.)**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED MARCH 31, 2018**

		Capital	Statutory	Retained	Total
		SR	Reserve	Earnings	partners'
		SR		SR	equity
					SR
Balance as of April 01, 2016		500,000	---	(994,008)	(494,008)
Profit for the year		---	---	10,713,500	10,713,500
Transfer to Statutory Reserve		---	150,000	(150,000)	---
Zakat for the year	10.1	---	---	(89,602)	(89,602)
Tax for the year	10.2	---	---	(1,333,255)	(1,333,255)
<b>Balance as of March 31, 2017</b>		<b>500,000</b>	<b>150,000</b>	<b>8,146,635</b>	<b>8,796,635</b>
Profit for the year		---	---	747,692	747,692
Transfer to Statutory Reserve		---	---	---	---
Zakat for the year	10.1	---	---	(115,123)	(115,123)
Tax for the year	10.2	---	---	(15,595)	(15,595)
<b>Balance as of March 31, 2018</b>		<b>500,000</b>	<b>150,000</b>	<b>8,763,609</b>	<b>9,413,609</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2018

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**1 LEGAL STATUS AND ACTIVITY**

Kalpataru IBN Omairah Company Limited is a limited liability company established under (CR: 1010434363) issued in Riyadh dated 13/08/1436 H. (In Correspondence 01/06/2015)

The Company is engaged in activities related to do electrical works and construction works of electrical energy conversion substations and the OHTL. These activities are approved under General Investment Authority No. 10219360553467 dated 17/05/1436 H. The duration of the Company shall be five years.

Company completed its contract with Saudi Electric Company ("SEC") and enter into different tenders in order to pursue new projects. As at March 31, 2018 Company did not enter in to any new project and waiting for the tenders which will be opened subsequently.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation**

The accompanying financial statements have been prepared based on the historical cost convention using accrual basis of accounting and in compliance with International accounting standards promulgated by International Financial Reporting framework's ("IFRS").

**Use of estimates and judgments**

The preparation of financial statements in conformity with International Financial Reporting Standard (IFRS) requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

**Cash and cash equivalents**

Cash and cash equivalents include balances in current accounts and demand deposits, with maturity dates less than or equal to three months.

**Accounts receivable and other current assets**

Accounts receivable and other current balances are initially recognized at fair value and subsequently measured at amortized cost. A provision against doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the income statement and reported under "administrative and general expenses".

**Fixed assets**

Property and equipment are carried at cost less accumulated depreciation except for land which is stated at cost.

Repair and maintenance expenses are administrative expenses while improvement expenses are considered capital expenses that are capitalized and depreciated using straight-line method according to the following rates of depreciation:

Machines and equipment	25%	Project Site Setup	25%
Vehicles	25%	Tools	15%
Computer and electrical equipment	25%		
Furniture and furnishings	10%		



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Payables and other current liabilities**

Liabilities are recognized for amounts to be paid in the future for works and services received, whether billed by the supplier or not at the balance sheet date.

### **Provisions**

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably.

### **Revenue**

Contract revenue is recognized as revenue when the outcome of a construction contract can be estimated reliably, by reference to the stage of completion of the contract activity at the end of the reporting period. The stage of completion of a contract is determined depending on the basis of proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

### **Cost of revenue**

Cost of revenue comprise:

- (a) costs that relate directly to the specific contract;
- (b) costs that are attributable to contract activity in general and can be allocated to the contract; and
- (c) such other costs as are specifically chargeable to the customer under the terms of the contract.

### **General and administrative**

General and administrative expenses include direct and indirect costs not specifically part of operating costs. Allocations between general and administrative expenses and operating costs, when required are made on a consistent basis.

### **Impairment of financial assets**

At each balance sheet date, the management makes an assessment to make sure that there is no objective evidence of impairment of a financial asset or group of financial assets. In case of any existence of such evidence an impairment loss is recognized in income statement. Impairment is determined as follows:

- a) For financial assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the income statement.
- b) For financial assets carried at cost, impairment is the difference between the carrying value and the present value of future cash flows discounted at a rate of return in the market for a similar financial asset.
- c) For financial assets carried at amortized cost, impairment is the difference between carrying value and the present value of future cash flows which are discounted by effective rate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED MARCH 31, 2018

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Zakat and taxation**

In accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"), the partnership is subject to zakat and income tax. Zakat and income tax is charged to the statement of comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

**Foreign currency translations**

(a) Reporting currency and functional currency

These financial statements are presented in Saudi Riyals ("SR") which is the reporting currency and functional currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

**3 CASH AND CASH EQUIVALENTS**

	2018	2017
	SR	SR
Cash in hand	4,950	16,475
Cash at banks	17,062	3,607,330
	<u>22,012</u>	<u>3,623,805</u>

**4 INVENTORY**

	2018	2017
	SR	SR
Inventory at beginning	619,813	---
Purchases	931,222	34,059,352
Material Consumed	(1,508,458)	(33,439,539)
Inventory at end	<u>42,577</u>	<u>619,813</u>

**5 TRADE AND OTHER RECEIVABLES**

	2018	2017
	SR	SR
Receivable from customers	---	20,879,520
Retention receivable	16,377,324	4,343,067
Accrued Revenue	---	4,292,863
Advances to supplier	209,182	43,677
Prepaid expenses and others	194,480	709,198
	<u>16,780,986</u>	<u>30,268,325</u>

KALPATARU IBN OMAIRAH COMPANY LIMITED  
(A LIMITED LIABILITY CO.)

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED MARCH 31, 2018

6 RELATED PARTY BALANCES

Due to related parties:

Parties	Relationship	Type of transaction	2017		For the year		2018	
			SR	(14,623,500)	SR	SR	SR	SR
Kalpataru Power Transmission Limited, India	Partner	Operation			14,219,895	1,037,690		(1,441,295)
Branch of Kalpataru Power Transmission Limited in Saudi Arabia	Associate	Operation		(3,715,741)	470,133	694,320		(3,939,928)
			(18,339,241)		4,549,177	1,732,010		(5,381,223)

KALPATARU IBN OMAIRAH COMPANY LIMITED  
(A LIMITED LIABILITY CO.)

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED MARCH 31, 2018

7 FIXED ASSET

Description	Vehicles		Office Equipment		Machinery and equipment		Electronic tools and computers		Furniture and fixtures		Total	
	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR	SR
<b>Cost:</b>												
As at April 01, 2017	244,540	9,069	199,558	92,726	54,864	600,757						
Additions	---	---	---	---	---	---	---	---	---	---	---	---
Disposals	(169,540)	---	---	(8,879)	---	(178,419)						
<b>As at March 31, 2018</b>	<b>75,000</b>	<b>9,069</b>	<b>199,558</b>	<b>83,847</b>	<b>54,864</b>	<b>422,338</b>						
<b>Accumulated depreciation:</b>												
As at April 01, 2017	18,089	378	22,785	8,640	5,909	55,801						
Charge for the year	43,601	869	44,193	20,355	5,564	114,582						
Depreciation on Disposal	(38,779)	---	---	(2,182)	---	(40,961)						
<b>As at March 31, 2018</b>	<b>22,911</b>	<b>1,247</b>	<b>66,978</b>	<b>26,813</b>	<b>11,473</b>	<b>129,422</b>						
<b>Net book value March 31, 2018</b>	<b>52,089</b>	<b>7,822</b>	<b>132,580</b>	<b>57,034</b>	<b>43,391</b>	<b>292,916</b>						
Net book value March 31, 2017	226,451	8,691	176,773	84,086	48,955	544,956						

## 8 TRADE AND OTHER PAYABLES

	2018	2017
	SR	SR
Trade payables	755,792	2,282,321
Accrued expenses	706,968	3,476,799
	<u>1,462,760</u>	<u>5,759,120</u>

## 9 OTHER CURRENT LIABILITIES

	2018	2017
	SR	SR
Provision for Warranty	581,955	527,636
Statutory Liability	168,225	211,410
	<u>750,180</u>	<u>739,046</u>

## 10 PROVISIONS

### 10.1 PROVISION FOR ZAKAT

	2018	2017
	SR	SR
Net Income for the year	747,692	10,713,500
<b>Add:</b>		
Depreciation difference	83,548	(11,322)
Provisions made during year	54,320	527,636
Penalties	---	20,000
Net adjusted profit	<u>885,560</u>	<u>11,249,814</u>
Saudi partners' share of capital (35%)	175,000	175,000
Saudi partners' share of adjusted profit (35%)	309,946	3,937,435
Additions:		
Provisions carried forward	184,673	---
Reserves carried forward	52,500	---
Less:		
Share of net fixed assets	(98,281)	(180,460)
Saudi Partners' share in carried forward losses	---	(347,903)
Zakat Base	<u>623,838</u>	<u>3,584,072</u>
Zakat at 2.5% of net zakat base or adjustable zakatable profit (whichever is higher)	<u>15,595</u>	<u>89,602</u>

Zakat base based on its interpretation of the Saudi Zakat regulations.

Movement in the provision of zakat can be summarized as follows:

	2018	2017
	SR	SR
As at April 01, 2017	89,602	---
Provision during the year	15,596	89,602
Paid during the year	(89,602)	---
As at March 31, 2018	15,596	89,602

## 10.2 PROVISION FOR TAXATION

	2018	2017
	SR	SR
Net adjusted profit	885,660	11,249,814
Non Saudi partners' share of adjusted profit (65%)	575,614	7,312,379
Non Saudi Partners' share in carried forward losses	---	(646,105)
Tax base	575,614	6,666,274
Tax charge for the year (20%)	115,123	1,333,255

Movement in provision of taxation can be summarized as follows:

	2018	2017
	SR	SR
As at April 01, 2017	1,333,255	---
Provision during the year	115,123	1,333,255
Paid during the year	(1,333,255)	---
As at March 31, 2018	115,123	1,333,255

## 11 CAPITAL

The company capital comprise of 500 shares of SR 1000 each

Description of parties	No of Shares	Share price (SR)	Percentage of Shareholders	Total value (SR)
IBN Omairah Company Limited, Saudi Arabia	175	1000	35%	175,000
Kalpataru Power Transmission Limited, KSA	325	1000	65%	325,000
	500		100%	500,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED MARCH 31, 2018

**12 STATUTORY RESERVE**

In accordance with Article 176 of the Regulations for Companies in Saudi Arabia and the Company's articles of association, the Company has established a statutory reserve by appropriation of 10% of net profit until the reserve equals 50% of the share capital. However, under the new Companies law, which is effective from 2 May 2016 this percentage has been reduced to 30%. This reserve is not available for dividend distribution.

**13 REVENUES**

	2018	2017
<b>Project description</b>	<b>SR</b>	<b>SR</b>
Al Sharif Group & KEOC Ltd.	65,511	622,800
SEC – Qaseem project	8,587,730	72,915,552
	<b>8,653,241</b>	<b>73,538,352</b>

**14 COST OF REVENUES**

	2018	2017
Consumption - Materials	1,508,458	33,439,539
Sub-contracting charges	407,381	10,297,988
Staff welfare and Food	1,899,989	2,792,809
Equipment rentals	519,863	2,640,139
Salaries and wages	408,675	2,414,901
Consumption Job store	203,741	2,184,003
CCF and Forwarding Cost	92,182	2,019,633
Others	779,324	1,537,679
Warranty & Guarantee	54,320	527,636
Consultancy Fees	52,000	431,407
Rent	283,244	421,098
GOSI*	185,960	341,463
Insurance	166,475	170,550
Repairs and Maintenance	25,545	60,365
	<b>6,587,157</b>	<b>59,279,210</b>

## 15 GENERAL AND ADMINISTRATIVE EXPENSES

	2018	2017
	SR	SR
Salaries & Wages	392,168	485,889
Withholding tax	---	220,571
Travel & transport	55,056	119,827
Conveyance & Food	29,767	115,245
Audit Expenses	87,500	90,000
Visa	28,490	60,014
Rent	31,472	46,789
Legal & Professional	---	29,450
GOSI*	16,602	28,082
Insurance Expense	24,876	25,485
Penalties	---	20,000
Others	295,262	330,799
	<u>961,193</u>	<u>1,572,151</u>

- All the invoices received from GOSI related to staff directly involves in operations and the staff attributable to managerial function are paid during the year.

## 16 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the balance sheet include cash and bank balances, accounts receivable and other current assets, due to related parties, accounts payables and other current liabilities and employee's end of service benefits. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial asset and liability is offset and net amounts reported in the financial statements, when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

The Company's activities expose it to a variety of financial risks: credit risk and market risk (including currency risk, fair value and cash flow commission rate risks and price risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by senior management. Senior management identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The most important types of risk are discussed in this note below.

### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company has no significant concentration of credit risk. Cash is placed with banks with sound credit ratings. Account receivables are carried net of provision for doubtful receivables, if any.



## 16 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

### Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Company's financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

### Liquidity 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 an amount close to its fair value. These conditions indicate that the Company may face problems in meeting its obligations as they become due and to continue as a going concern, and these are dependent upon the Company's ability to arrange adequate funds in a timely manner. The management has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are made available to meet any future commitments.

### Currency risks

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals, Euro and US Dollars. However, Euro related transactions does not form a material impact and US Dollar is pegged to the Saudi Riyals. Management closely monitors the exchange rate fluctuations and believes that Company's exposure to currency risk is not significant.

## 17 COMPARATIVE FIGURES

Certain comparative figures have been reclassified during the year in accordance with the classification of the current year ending March 31, 2018.

## 18 APPROVAL OF THE FINANCIAL STATEMENTS

The Company's management has approved these financial statements on MAY 17, 2018 (Corresponding to 01 Ramadan 1439H)