Blue Star Qatar WLL

Financial statements
For the year ended 31 March 2016

Index

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

Tel : +974 44349777
Fax: +974 44999533
www.bdo.com.qa

38th Floor
Palm Tower (B)
West Bay
PO Box 24139
Doha
State of Qatar

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

Report on the financial statements
We have audited the accompanying financial statements of Blue Star Qatar LLC ("the Company") which comprise the statement of financial position as at 31 March 2016, the statement of comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the then year ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
The management is responsible for the preparation and fair presentation of these 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.

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements
Further, as required by the Qatar Commercial Companies Law Number 5 of 2002, 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 Number 5 of 2002, which would materially affect its activities, or its financial position as at 31 March 2016.

Gavin James Brown
BDO Audit
License No. 288
Doha, State of Qatar
27 April 2016

Blue Star Qatar WLL
Statement of financial position as at 31 March 2016
(Expressed in Qatari Riyals)

	Notes	2016	2015
ASSETS			
Non-current assets			
Property and equipment	5	1,064,896	1,252,269
Current assets			
Trade and other receivables	6	42,033,630	35,330,472
Cash and cash equivalents	7	1,544,117	3,595,528
Total current assets		43,577,747	38,926,000
Total assets		44,642,643	40,178,269
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	8	200,000	200,000
Statutory reserves	9	100,000	100,000
Retained earnings		9,840,267	8,816,574
		10,140,267	9,116,574
Non-current liabilities			
Non-current portion of bank borrowings	12	137,685	234,496
Employees' terminal benefits	10	935,766	758,292
		1,073,451	922,788
Current liabilities			
Current portion of bank borrowings	12	10,023,483	95,290
Trade and other payables	11	23,207,750	29,637,798
Income tax payable		197,692	335,819
		33,428,925	30,068,907
Total equity and liabilities		44,642,643	40,178,269

These financial statements, including pages 5 to 21, were approved by the shareholders on 27 April 2016 and signed on their behalf by:

Mr. M.V.P Raju
General Manager

بلو ستار قطر ذ.م.م
Tel.: 4582271
P.O.Box: 47242
DOHA-QATAR
BLUE STAR QATAR W.L.L.

Blue Star Qatar WLL
Statement of comprehensive income for the year ended 31 March 2016
(Expressed in Qatari Riyals)

	Notes	2016	2015
Contract revenue		39,326,998	51,139,537
Contract costs	14	35,750,371	45,572,761
Gross profit		3,576,627	5,566,776
Other income	13	315,510	13,092
Expenses			
Staff cost	16	1,269,152	1,250,011
General and administrative expenses	15	876,787	607,989
Depreciation	5	413,491	412,183
Finance cost		111,322	699,757
		2,670,752	2,969,940
Profit before income tax expense		1,221,385	2,609,928
Income tax expense		197,692	335,819
Net profit after income tax		1,023,693	2,274,109
Other comprehensive income		-	-
Total comprehensive income for the year		1,023,693	2,274,109

Blue Star Qatar WLL
Statement of changes in shareholders' equity for the year ended 31 March 2016
(Expressed in Qatari Riyals)

	Share capital	Statutory reserves	Retained earnings	Total
At 1 April 2014	200,000	100,000	6,542,465	6,842,465
Total comprehensive income for the year	-	-	2,274,109	2,274,109
As at 31 March 2015	200,000	100,000	8,816,574	9,116,574
At 1 April 2015	200,000	100,000	8,816,574	9,116,574
Total comprehensive income for the year	-	-	1,023,693	1,023,693
As at 31 March 2016	200,000	100,000	9,840,267	10,140,267

Blue Star Qatar WLL
Statement of cash flows for the year ended 31 March 2016
(Expressed in Qatari Riyals)

	Notes	2016	2015
Cash flows from operating activities			
Net profit before income tax expense		1,221,385	2,609,928
Adjustments for:			
Depreciation	5	413,491	412,183
Employee end of service benefits, net	11	177,474	170,260
Finance cost		111,322	699,757
Gain on disposals of property and equipment		2,641	11,800
Operating cash flows before changes in working capital		1,926,313	3,903,928
Changes in operating assets and liabilities:			
(Increase) / decrease in trade and other receivables		(6,703,158)	2,000,800
Increase / (decrease) in trade and other payables		(6,430,048)	9,289,096
		(11,206,893)	15,193,824
Income tax paid		(335,819)	(320,264)
Net cash provided by (used in) operating activities		(11,542,712)	14,873,560
Cash flows from investing activities			
Purchase of property and equipment	5	(227,847)	(667,878)
Proceeds on disposal of assets		-	5,501
Net cash used in investing activities		(227,847)	(662,377)
Cash flows from financing activities			
Bank borrowing, net movement		9,830,470	(11,220,717)
Finance cost paid		(111,322)	(699,757)
Net cash used in financing activities		9,719,148	(11,920,474)
Net change in cash and cash equivalents		(2,051,411)	2,290,709
Cash and cash equivalents, beginning of the year		3,595,528	1,304,819
Cash and cash equivalents, end of the year		1,544,117	3,595,528

1 Organisation and activities

Blue Star Qatar WLL (the "Company") is a Company with limited liability registered with the Ministry of Business and Trade 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 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, Decree Number 5 of 2002.

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 2010/2012 and 2011/2013 cycle

Improvements/amendments to IFRS issued in 2010/2012 and 2011/2013 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 2015 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 2015

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 2015 and have been adopted in the preparation of the financial statements:

2 Basis of preparation (continued)

Standards, amendments and interpretations issued and effective in 2015 but not relevant

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IAS 16	Property, plant and equipment	1 July 2014
IAS 19	Employee Benefits	1 July 2014
IAS 24	Related Party Disclosures	1 July 2014
IFRS 7	Financial Instruments - Disclosures	1 January 2015
IFRS 13	Fair Value Measurement	1 July 2014

The following new standards, amendments to existing standards and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2015 or subsequent periods, but are not relevant to the Company's operations:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IAS 38	Intangible assets	1 July 2014
IAS 40	Investment Property	1 July 2014
IFRS 1	First Time Adoption of International Financial Reporting Standards	1 July 2014
IFRS 2	Share Based Payments	1 July 2014
IFRS 3	Business Combinations	1 July 2014
IFRS 8	Operating Segments	1 July 2014

Standards, amendments and interpretations issued but not yet effective in 2015

The following IFRS and IFRIC interpretations issued/revised as at 1 January 2015 or subsequent periods have not been early adopted by the Company's management:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IAS 1	Presentation of Financial Statements	1 January 2016
IAS 16	Property, plant and equipment	1 January 2016
IAS 19	Employee Benefits	1 January 2016
IAS 27	Separate Financial Statements	1 January 2016
IAS 34	Interim Financial Reporting	1 January 2016
IAS 38	Intangible assets	1 January 2016
IAS 41	Agriculture	1 January 2016
IFRS 9	Financial Instruments - Classification and Measurement	1 January 2018
IFRS 10	Consolidated Financial Statements	1 January 2016
IFRS 11	Joint Arrangements	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018

There would have been no change in the operational results of the Company for the year ended 31 December 2015 had the Company early adopted any of the above standards applicable to the Company.

Early adoption of amendments or standards in 2015

The Company did not early-adopt any new or amended standards in 2015.

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. 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 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.

3 Significant accounting policies (continued)

Financial assets

a. Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers and also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Company's loans and receivables comprise trade and other receivables in the statement of financial position.

Trade and other receivables are carried at their anticipated realisable values. An estimate is made for impaired trade receivables based on a review of all outstanding amounts at the period-end. Impaired trade receivables which are not considered recoverable are written-off when they are identified.

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.

a. 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 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.

b. 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.

c. 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.

3 Significant accounting policies (continued)

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 comprehensive income.

Assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market 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.

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 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 comprehensive income on a straight-line basis over the period of the lease.

Employee's terminal benefits

These are terminal 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 comprehensive income.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, bank balances and fixed deposits with banks having maturity less than three months.

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; and
- fair value measurement,
- provisions; and
- contingencies.

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 2016.

Provision

The Company creates a provision for end of service benefits. At 31 March 2016, in the opinion of the Company's management, a provision of QR 935,766 is required towards end of service benefits (2015: QR 758,292). 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 Labor Law.

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

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.

5 Property and equipment

Cost	Tools and machineries	Computer and software	Furniture and fixtures	Motor vehicles	Total
At 31 March 2014	612,240	349,298	259,536	824,500	2,045,574
Additions	67,920	31,744	66,864	501,350	667,878
Disposals	-	-	(3,829)	(33,500)	(37,329)
At 31 March 2015	680,160	381,042	322,571	1,292,350	2,676,123
Additions	53,826	95,263	78,758	-	227,847
Disposals	(2,250)	(7,500)	(6,975)	-	(16,725)
At 31 March 2016	731,736	468,805	394,354	1,292,350	2,887,245
Accumulated depreciation					
At 31 March 2014	202,427	282,704	114,501	432,067	1,031,699
Charges for the year	96,484	43,937	48,531	223,231	412,183
Disposals	-	-	(3,278)	(16,750)	(20,028)
At 31 March 2015	298,911	326,641	159,754	638,548	1,423,854
Charges for the year	104,723	46,215	60,840	201,712	413,490
Disposals	(619)	(7,499)	(6,877)	-	(14,995)
At 31 March 2016	403,015	365,357	213,717	840,260	1,822,349
Net book value					
At 31 March 2015	381,249	54,401	162,817	653,802	1,252,269
At 31 March 2016	328,721	103,448	180,637	452,090	1,064,896

6 Trade and other receivables

	2016	2015
Trade receivables	20,454,788	15,764,223
Retention receivables	13,532,963	13,029,396
Unbilled revenue	6,269,106	120,418
Advances to suppliers	1,700,680	6,297,328
Advances to staff	39,478	-
Prepayments	28,615	116,727
Other receivables	8,000	2,380
	42,033,630	35,330,472

The ageing of trade receivables is as follows:

	2016	2015
Less than 1 month	5,334,968	7,025,896
Between 1 and 3 months	9,157,999	5,214,280
More than 3 months	5,961,821	3,524,047
Total	20,454,788	15,764,223

7 Cash and cash equivalents

	2016	2015
Cash on hand	38,000	40,500
Balance with banks	1,506,117	555,028
Fixed deposit with bank having maturity less than 3 months	-	3,000,000
	1,544,117	3,595,528

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 2016 is as follows:

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

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 (2015: 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:

	2016	2015
Balance of beginning of year	758,292	588,032
Provision for the year	301,166	286,536
Payment during the year	(123,693)	(116,276)
Balance at end of year	935,765	758,292

12 Bank borrowings

	2016	2015
Trade finance	7,044,131	-
Bill discounting	1,079,206	-
Overdraft	1,804,247	-
Vehicle loan	233,584	329,786
	10,161,168	-
Less: Non-current portion	137,685	234,496
Current portion	10,023,483	95,290

I. Trade finance facility from banks is secured by the corporate guarantees of the shareholders and is repayable within 60 to 90 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. Overdraft facility from bank is secured against the corporate guarantees of the shareholders and bears market interest rates.

IV. Vehicle loans are secured against the motor vehicles for which they were obtained and are repayable in equal monthly instalments over 36 months and bears market interest rates.

11 Trade and other payables

	2016	2015
Trade payables	7,024,443	5,526,205
Advance from customer	5,704,913	7,325,561
Accrual	5,372,504	11,813,955
Amounts due to related parties (Note 18)	2,553,301	2,185,726
Employee benefits payable	1,488,044	578,934
Retention payable	1,042,041	2,182,383
Other payables	22,504	25,034
	23,207,750	29,637,798

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

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

	2016	2015
Less than 1 month	1,308,014	1,931,675
Between 1 and 3 months	986,465	3,258,404
More than 3 months	4,729,964	336,126
Total	7,024,443	5,526,205

13 Other income

	2016	2015
Excess provision written back	311,057	-
Gain on sale of fixed assets	1,240	-
Miscellaneous income	3,213	13,092
	315,510	13,092

14 Contract cost

	2016	2015
Material cost	20,754,212	23,893,088
Sub-contract cost	4,248,461	9,047,964
Labour cost	4,061,983	5,011,228
End of services benefit expense (Note 11)	204,735	181,076
Other contract cost	6,480,980	7,439,405
	35,750,371	45,572,761

15 General and administrative expenses

	2016	2015
Legal and professional fees	382,716	84,189
Rent (Note 17)	240,000	240,000
End of service benefits (Note 11)	96,431	105,460
Other expenses	53,807	44,238
Motor vehicle expenses	27,073	32,566
Travelling expenses	11,966	19,722
Government fee	13,252	10,400
Telephone fax and internet charges	12,202	11,992
Advertisement and promotion	10,000	4,540
Water and electricity charges	7,913	7,276
Insurance	7,892	15,978
Tender fees	7,288	23,350
Repairs and maintenance	3,775	4,597
Printing and stationery	2,472	3,681
	876,787	607,989

16 Staff cost

	2016	2015
Staff salary	980,400	976,300
Leave salary	135,570	194,991
Other staff benefits	153,183	78,720
	1,269,153	1,250,011

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 2016 amounted to QR 240,000 (2015: 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.

Amount due to related parties	Relationship	2016	2015
Blue Star Limited	Shareholder	2,121,567	1,753,992
Blue Star Design and Engineering	Under common control	431,734	431,734
		2,553,301	2,185,726

Amounts due to 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:

	2016	2015
Purchase of materials	320,760	171,971
Reimbursement of expenses	46,814	448,534
	367,574	620,505

19 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 capital 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.

	2016	2015
Trade and other payables	23,207,750	29,637,798
Bank borrowing	10,161,168	329,786
Less: Cash and cash equivalents	(1,544,117)	(3,595,528)
Net debt	31,824,801	26,372,056
Total capital	10,337,959	9,116,574
Total capital and net debt	42,162,760	35,488,630
Gearing ratio	75.5%	74.3%

Risk management

Risk management is carried out by the shareholders of the Company. The shareholders 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.

19 Financial assets and liabilities and risk management (continued)

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 cash equivalents
- Trade and other payables
- Bank borrowings

A summary of the financial instruments held by category is provided below as at 31 March 2016:

Financial assets	2016	2015
Trade and other receivables	42,033,630	35,330,472
Cash and cash equivalents	1,544,117	3,595,528
	43,577,747	38,926,000

Financial liabilities	2016	2015
Trade and other payables	23,207,750	29,637,798
Bank borrowings	10,161,168	329,786
Total financial liabilities	33,368,918	29,967,584

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. Concentrations of credit risk with respect to trade receivables are limited as the Company's principal customers are related parties. Management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Company's trade receivables.

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. The Company's foreign exchange transactions, predominantly in US Dollars and Euro, have been translated at the closing rate; incidentally the currency rate risk is considered insignificant by management.

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. The fair values of the Company's financial assets and liabilities are not significantly different from their carrying amounts.

19 Financial assets and liabilities and risk management (continued)

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 2016.

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

Item	Fair value	Valuation technique	Fair value hierarchy level	Significant observable inputs
Trade receivables	20,454,788	The carrying amount of short term (less than 12 months) trade receivables and payables approximates its fair values	Level 3	Not applicable
Trade payables	7,024,443		Level 3	Not applicable

20 Contingent liabilities

At 31 March 2016, 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 19,639,157 (2015: QR 26,444,896).

21 Subsequent events

There were no events subsequent to 31 March 2016 and occurring before the date of the report that are expected to have a significant impact on these financial statements.

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