East Pipes Integrated Company for Industry Prospectus

A mixed closed joint stock company pursuant to Ministerial Resolution No. 7 dated 05/02/1442H (corresponding to 22/09/2020G), and registered in Dammam under Commercial Registeration No. 2050071522 dated 22/07/1431H (corresponding to 04/07/2010G).

Offering of six million, three hundred thousand (6,300,000) ordinary shares representing 30% of the capital of the East Pipes Integrated Company for Industry for public subscription at an offer price of Eighty (80) Saudi Riyals per share.

Offering Period: two (2) days commencing on Monday 21/06/1443H (corresponding to 24/01/2022G) and ending on Tuesday 22/06/1443H (corresponding to 25/01/2022G)

East Pipes Integrated Company for Industry (the "**Company**") is a mixed closed joint stock company pursuant to Ministerial Resolution No. 7 dated 05/02/1442H (corresponding to 22/09/2020G), and registered in Dammam under Commercial Registeration No. 2050071522 dated 22/07/1431H (corresponding to 04/07/2010G). Its registered address is Second Industrial City in Dammam, P.O. Box 12943, Dammam, 31483, Kingdom of Saudi Arabia (the "**Kingdom**").

The Company was established on 16/06/1431H (corresponding to 30/05/2010G) under the name "Pipe Development for Pipe Manufacturing Company" as a limited liability company with a fully paid-up capital of five hundred thousand Saudi Riyals (SAR 500,000) divided into fifty thousand (50,000) cash shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share. It was registered in the Commercial Register of Dammam under No. 2050071522 dated 22/07/1431H (corresponding to 04/07/2010G). The Company was also licensed by the Ministry of Investment under Industrial Investment License No. 121031118992 dated 22/07/1431H (corresponding to 04/07/2010G).

On 09/11/1431H (corresponding to 17/10/2010G), the shareholders agreed to increase the Company's capital from five hundred thousand Saudi Riyals (SAR 500,000) to seventy-six million, forty-six thousand, eight hundred seventy-five Saudi Riyals (SAR 76,046,875), divided into seventy-six million, forty-six thousand, eight hundred seventy-five (76,046,875) shares. The nominal value of the shares was reduced to the value of one Saudi riyal (SAR 1) each. The increase of seventy-five million, five hundred forty-six thousand, eight hundred seventy-five Saudi Riyals (SAR 75,546,875) was covered through in-kind shares provided by the shareholders. On 18/12/1431H (corresponding to 24/11/2010G), the shareholders agreed to change the Company's name from "Pipe Development for Pipe Manufacturing Company" "to" "Welspun Middle East Pipes Company."

On 21/09/1441H (corresponding to 14/05/2020G), the shareholders agreed to merge Welspun Middle East Pipe Lining and Coating Company ("**Welspun Coating**") with all of its assets, rights, liabilities and obligations into the Company under a merger agreement between the Company's shareholders and the shareholders of Welspun Coating (the same shareholders) on 21/09/1441H (corresponding to 14/05/2020G), whereby the shareholders agreed that (i) Welspun Coating shall merge with the Company, (ii) Welspun Coating shall cease to exist as a separate legal entity, and (iii) the Company shall continue to exist as the surviving entity after the merger is complete. The merger was approved by the Ministry of Commerce on 30/11/1441H (corresponding to 21/07/2020G), and Welspun Coating became a branch of the Company.

On 05/02/1442H (corresponding to 22/09/2020G), the Company was converted from a limited liability company to a joint stock company, pursuant to Ministerial Resolution No. 7 announcing such conversion, with a fully paid-up capital of seventy-six million, forty-six thousand, eight hundred eighty Saudi Riyals (SAR 76,046,880), divided into seven million, six hundred four thousand, six hundred eighty-eight (7,604,688) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share.

On 13/05/1442H (corresponding to 28/12/2020G), the Extraordinary General Assembly approved the change of the Company's name from "Welspun Middle East Pipes Company" to "East Pipes Integrated Company for Industry." It also agreed to increase the Company's capital from seventy-six million, forty-six thousand, eight hundred eighty Saudi Riyals (SAR 76,046,880) to two hundred ten million Saudi Riyals (SAR 210,000,000), divided into twenty-one million (21,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share. The increase of one hundred thirty-three million, nine hundred fifty-three thousand, one hundred twenty Saudi Riyals (SAR 133,953,120) was covered through capitalization of the Company's Shareholders' debts (for further information about the history of the Company, please refer to Section 4-1-2 "**Company History and Evolution of the Company's Share Capital**" of this Prospectus).

As at the date of this Prospectus, the Company's capital amount to two hundred ten million Saudi Riyals (SAR 210,000,000) divided into twenty-one million (21,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share.

The initial public offering (the "**Offering**") consists of six million three hundred thousand (6,300,000) ordinary shares (collectively, the "**Offer Shares**" and each an "**Offer Share**") at an Offer Price of Eighty Saudi Riyals (SAR 80) per share, with a nominal value of ten Saudi Riyals (SAR 10) per share ("**Offer Price**"). The Offer Shares represent 30% of the Company's capital.

The Offering shall be restricted to the following two groups of investors ("**Investors**"), as follows:

Tranche A: Participating Parties: this tranche comprises the parties entitled to participate in the book building process as specified under the Instructions on Book Building and Allocation of Shares in Initial Public Offerings (the "**Book-Building Instructions**") issued by the Capital Market Authority ("**CMA**") Board pursuant to Resolution No. 2-94-2016 dated 15/10/1437H (corresponding to 20/07/2016G), as amended by CMA Board Resolution No. 3-102-2019 dated 18/01/1441H (corresponding to 17/09/2019G) (collectively the "**Participating Parties**" and each a "**Participating Party**") (please refer to Section 1 "**Definitions and Abbreviations**" of this Prospectus). The number of Offer Shares to be initially allocated to Participating Parties is six million, three hundred thousand (6,300,000) ordinary shares, representing 100% of the total Offer Shares. Final allocation of the Offer Shares will be made after the end of the Offering Period for Reatil Investors. In the event that Retail Investors (as defined in Tranche B below) subscribe for all Offer Shares allocated thereto, the Bookrunner shall have the right to reduce the number of Offer Shares allocated to Participating Parties to a minimum of five million, six hundred seventy thousand (5,670,000) Offer Shares, representing 90% of the Offer Shares.

Tranche B: Retail Investors: this tranche comprises Saudi Arabian natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi, who can subscribe under their names for her own benefit, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, in addition to any non-Saudi natural person who is resident in the Kingdom or any GCC natural investors, provided they have a bank account with a Receiving Entity and are allowed to open an investment account (collectively, the "**Retail Investors**" and each an "**Retail Investor**," and together with the Participating Parties the "**Subscribers**"). Subscription for shares made by a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature is proved to have occurred, the law shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of six hundred thirty thousand (630,000) Offer Shares, representing 10% of the total Offer Shares, will be allocated to Retail Investors, provided that the Participating Parties subscribe to all the Offer Shares allocated to them. If the Retail Investors do not subscribe for all the Shares allocated to them, the Bookrunner may reduce the number of Shares allotted to them in proportion to the number of Offer Shares for which they subscribed for thereby.

Prior to the Offering, the current shareholders own all of the Company's share capital. The Offer Shares will be sold by the existing shareholders (the "**Selling Shareholders**") in accordance with Table 4-1 "**The Company's Ownership Structure as of the Date of this Prospectus**" of this Prospectus. Upon the completion of the Offering, the Selling Shareholders will collectively own 70% of the Shares and will consequently retain a controlling interest in the Company. The Offering proceeds, less the Offering expenses, (the "**Net Proceeds**") will be distributed to the Selling Shareholders pro-rata to the number of Offer Shares that will be sold by each of them in the Offering. The Company will not receive any part of the Net Proceeds (for further information, please refer to Section 8 "**Use of Proceeds**" of this Prospectus). The Offering is fully underwritten by the Underwriter (for further information about underwriting, please refer to Section 13 "**Underwriting**" of this Prospectus). The Substantial Shareholders may not dispose of their shares for a period of six (6) months (the "**Lock-up Period**") as of the date trading of the Company's shares commences on the Saudi Exchange ("**Tadawul**" or the "**Exchange**"), as set out on page S of this Prospectus. The Company's Substantial Shareholders, who hold five percent (5%) or more of the Shares, are: Welspun Mauritius Holdings Ltd. ("**Welspun Holding**"), Aziz Company for Contracting & Industrial Investment ("**Aziz Company**") and Vision International Investment Company ("**Vision Invest**"). The Table 1-2 "**Direct Substantial Shareholders, Their Number of Shares and Ownership Percentage pre-and post-Offering**" of this Prospectus sets out the percentages of their ownership in the Company's capital.

The Offering Period for Retail Investors will commence on Monday 21/06/1443H (corresponding to 24/01/2022G), and continue for a period of two (2) days up to and including the closing day on Tuesday 22/06/1443H (corresponding to 25/01/2022G) (the "**Offering Period**"). Subscription to the Offer Shares by the Retail Investors can be made at some of the branches of the Receiving Entities listed on page M and l of this Prospectus (the "**Receiving Entities**") during the Offering Period or through the internet, telephone banking or ATMs of the Receiving Entities providing all or some of these services to their customers (for further information, please refer to Section 17-2-2 "**Subscription by Retail Investors**" of this Prospectus). Participating Parties can bid for the Offer Shares through the Lead Manager during the book building process, which takes place prior to the Offering to Retail Investors, and subscribe to the Offer Shares during the Offering Period for Retail Investors.

Each Retail Investors who subscribes for the Offer Shares must apply for a minimum of ten (10) Offer Shares and a maximum of two hundred fifty thousand (250,000) Shares. The minimum allocation per Retail Investor is ten (10) Offer Shares, and the remaining Offer Shares, if any, will be allocated on a pro rata basis based on the number of Offer Shares applied for by each Retail Investor. In the event that the number of Retail Investor exceeds sixty-three thousand (63,000) Retail Investor, the minimum allocation cannot be guaranteed by the Company and the allocation shall be made according to the instructions of the Company and Financial Advisor. Excess subscription amounts (if any) will be refunded to Retail Investorwithout any charge or commission being withheld by the related Receiving Entities. Notification of the final allocation will be made no later than Sunday, 27/06/1443H (corresponding to 30/01/2022G), and the refund of excess subscription amounts will be made no later than 01/07/1443H (corresponding to 02/02/2022G) (for further details, see Section "**Key Dates and Subscription Procedures**" on page U and Section 17 "**Subscription Terms and Conditions**" of this Prospectus).

The Company has one class of ordinary shares. Each share entitles its holder to one vote, and each shareholder ("**Shareholder**") has the right to attend and vote in Shareholder general assemblies (the "**General Assembly**"). No Shareholder benefits from any preferential voting rights. The Offer Shares will be entitled to receive dividends declared by the Company as of the date of this Prospectus ("**Prospectus**") and for subsequent financial years (for further information about the dividend distribution policy, see Section 7 "**Dividend Distribution Policy**" of this Prospectus).

Prior to the Offering, there has been no public market for the shares in the Kingdom or elsewhere. The Company has submitted an application to the CMA for the registration and offer of the Shares, and an application to the Exchange for the listing of such Shares. All requirements have been met; all required documents have been submitted to the relevant authorities, and all approvals pertaining to the Offering have been obtained, including this Prospectus. Trading of the shares on the Exchange is expected to commence upon completion of final allocation, with all relevant regulatory requirements being met (please refer to the section "**Key Dates and Subscription Procedures**" on page U of this Prospectus). Following the start of trading on the Exchange, Saudi nationals, non-Saudi nationals holding valid residency permits in Saudi Arabia, Saudi and GCC companies, banks, and mutual funds as well as GCC nationals will be permitted to trade the Offer Shares. Moreover, Qualified Foreign Investors (a "**QFI**") will be permitted to trade in the Shares in accordance with Rules for Qualified Foreign Financial Institutions Investment in Listed Securities (as defined in Section 1 "**Definitions and Abbreviations**" of this Prospectus). Non-Saudi nationals living outside the Kingdom and institutions registered outside the Kingdom ("**Foreign Investors**") are also entitled to acquire economic benefits in the Shares by entering into swap agreements with a Capital Market Institution licensed by the CMA ("**Capital Market Institutions**") to buy and trade in shares listed on the Exchange for the benefit of foreign investors. Under such swap agreements, the Capital Market Institutions will be treated as the legal owner of such Shares.

Subscription to the Offer Shares involves risks and uncertainties. Therefore, persons who wish to subscribe for the Offer Shares must read and consider Section "**Important Notice**" on page (i) and Section 2 "**Risk Factors**" of this Prospectus prior to making a decision to invest in the Offer Shares.

أنابيب الشرق
EAST PIPES

Financial Advisor, Bookrunner, Lead Manager and Underwriter

SNB Capital

Receiving Entities

SNB

This Prospectus is dated 22/02/1443H (corresponding to 29/09/2021G)

أنابيب الشـرق
EAST PIPES

Important Notice

This Prospectus contains detailed information relating to the Company and the Offer Shares. When submitting an application for the Offer Shares, Participating Parties and Retail Investors will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available from the Receiving Entities, or by visiting the websites of the Company (www.eastpipes.com), the CMA (www.cma.org.sa) or the Financial Advisor, SNB Capital (www.alahlicapital.com).

With respect to the Offer Shares described in this Prospectus, SNB Capital has been appointed by the Company as the financial advisor for the Offering (the "**Financial Advisor**"), lead manager (the "**Lead Manager**"), bookrunner (the "**Bookrunner**") and underwriter (the "**Underwriter**").

This Prospectus includes information provided in accordance with the Rules on the Offer of Securities and Continuing Obligations issued by the CMA. The Directors, whose names appear on page (iv), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable inquiries that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

Whilst the Company has made all reasonable studies and inquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, substantial portions of the information herein regarding the market and industry in which the Company operates have been derived from external sources. While neither the Company nor any of the Directors, Selling Shareholders, or Advisors, whose names appear on Pages (vi) and (vii) of this Prospectus, have any reason to believe that any of the market and industry information is materially inaccurate, neither the Company nor any of the Advisors have independently verified such information. Accordingly, no representation or assurance is made with respect to the accuracy or completeness of any of this information.

The information contained herein is believed to be accurate as at the date hereof and is subject to change. In particular, the financial position of the Company and the value of the Shares may be adversely affected by future developments in inflation, interest rates, taxation, or other economic, political and other factors over which the Company has no control (for further information, please refer to Section 2 "**Risk Factors**" of this Prospectus). Neither this Prospectus nor any verbal, written or printed communication in relation to the Offer Shares is intended to be or should be construed as or relied upon in any way as a promise or representation as to future earrings, results or future events.

This Prospectus is not to be regarded as a recommendation on the part of the Company, the Selling Shareholders, or the Advisors to subscribe to the Offer Shares. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives or the financial situation or particular investment needs of persons who intend to invest in the Offer Shares. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice from a CMA licensed financial advisor in relation to the Offering and the appropriateness of both the investment opportunity and the information herein with regard to the recipient's individual objectives, financial situation and needs. An investment in the Offer Shares may be appropriate for some investors but not others. Prospective investors should not rely on another party's decision whether to invest as a basis for their own examination of the investment opportunity or such party's circumstances.

Subscription to the Offer Shares shall be limited to two tranches of investors, as follows:

Tranche A Participating Parties: this tranche comprises the parties entitled to participate in the bookbuilding process as specified under the Book-Building Instructions (for further information, please refer to Section 1 "**Definitions and Abbreviations**" of this Prospectus).

Tranche B Retail Investors: this tranche comprises Saudi Arabian natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi, who can subscribe under their names for her own benefit, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, in addition to any non-Saudi natural person who is resident in the Kingdom or any GCC natural investors, provided they have a bank account with a Receiving Entity and are allowed to open an investment account. A subscription for shares made by a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature is proved to have occurred, the law shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

The distribution of this Prospectus and the sale of the Offer Shares in any country other than Saudi Arabia are expressly prohibited except for foreign financial institutions subject to the applicable laws and instructions. The Company, the Selling Shareholders and the Financial Advisor request that the recipients of the Prospectus observe any regulatory restrictions on the offering and sale of Offer Shares.

Market and Industry Information

The information and data in Section 3 "**Market and Industry Information**" of this Prospectus, relating to the market and the industry in which the Company operates, were obtained from the market report prepared on 01/12/1441H (corresponding to 22/07/2020G) by the Market Consultant, Roland Berger Middle East WLL ("**Market Consultant**").

Roland Berger Middle East WLL is an independent company registered in Bahrain as a subsidiary of the German company Roland Berger. Roland Berger was founded in Munich in 1967G as a provider of market services and international consulting, and has offices in several countries around the world. It is a leading company providing professional services around the world.

The Directors believe that the information and data from third party sources contained in this Prospectus, including those derived from the market study report prepared by the Market Consultant, are reliable. However, such information and data have not been independently verified by the Company, the Directors, the Advisors (except for the Market Consultant) or the Selling Shareholder, and thus none of them bears any liability for the accuracy, validity or completeness of such information or data.

Neither the Market Consultant, nor any of its shareholders, directors or their relatives hold any shares or interest of any kind in the Company. As at the date of this Prospectus, the Market Consultant has given and has not withdrawn its written consent to the use of the information supplied by it to the Company in the manner and form set out in this Prospectus.

Financial Information

The Company's audited financial statements for the financial years ended March 31, 2019G, March 31, 2020G and March 31, 2021G and Welspun Coating's audited financial statements for the financial years ended March 31, 2019G and March 31, 2020G and the period from April 1, 2020G to July 20, 2020G, have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed in the Kingdom and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants (SOCPA). The Company's financial statements for the financial years ended March 31, 2019G, March 31, 2020G and March 31, 2021G, and Welspun Coating's financial statements for the financial years ended March 31, 2019G and March 31, 2020G and the period from April 1, 2020G to July 20, 2020G, have been audited by PricewaterhouseCoopers Public Accountants (the "**Auditor**") as set out in their audit reports. In addition, the Company's pro forma financial information for the year ended March 31, 2021G was prepared by the Company's Management in accordance with the Company's accounting policies, and verified by the Auditor (PricewaterhouseCoopers Public Accountants) in accordance with International Standard on Assurance Engagements No. 3420 (ISAE 3420). The Company's pro forma financial information for the financial years ended March 31, 2019G and 2020G was derived from the comparative figures of the Company's pro forma financial information for the year ended March 31, 2021G. These financial statements and pro forma financial information have been included in Section 19 "**Financial Statements, Pro Forma Financial Information and Auditor's Report**" of this Prospectus. The Company publishes its financial statements in Saudi Riyals.

Some financial and statistical information contained in this Prospectus has been rounded off to the nearest integer; therefore, if figures contained in the tables are added up, the total may not match that mentioned in the Prospectus.

Forecasts and Forward-Looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of assumptions relating to the Company's information as derived from its market experience, as well as on publicly available market information. Future operating conditions may differ from the assumptions used and consequently no representation or warranty is made with respect to the accuracy or completeness of any of these forecasts. The Company, to its knowledge, confirms that the statements contained in this Prospectus are based on due diligence.

'Certain forecasts in this Prospectus constitute or can constitute "forward-looking statements." Such statements can generally be identified by their use of forward-looking words such as "plans," "determines," "intends," "estimates," "expect," "is expected," "may," "possibly," "will," "would be" or the negative thereof or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events but are not a guarantee of future performance. Many factors could cause the actual results, performance, or achievements of the Company to be significantly different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (please refer to Section 2 "**Risk Factors**" of this Prospectus). Should any one or more of these factors materialize or any underlying forecasts prove to be inaccurate or incorrect, the Company's actual results may vary materially from those described in this Prospectus.

Subject to the requirements of the Rules on the Offer of Securities and Continuing Obligations, the Company shall submit a supplementary prospectus if, at any time after the date of publication of this Prospectus and prior to the completion of the Offering, the Company becomes aware that: (a) there has been a significant change in material matters mentioned in this Prospectus, or (b) any significant issues have arisen that should have been included in this Prospectus. Except for these two cases, the Company does not intend to update or revise any information regarding the industry and market information included in the Prospectus, whether as a result of new information, future events or otherwise. Based on the foregoing risks, assumptions and other uncertainties, forward-looking events and conditions described in this Prospectus may not occur as expected by the Company or at all. Prospective investors should review all forward-looking statements based on these explanations and should not rely solely on forward-looking statements.

Definitions and Abbreviations

For an explanation of certain terms and abbreviations included in this Prospectus, please refer to Section 1 "**Definitions and Abbreviations**" of this Prospectus.

Corporate Directory

Board of Directors

Table (I-I): The Company's Board of Directors

No.	Name	Position	Nationality	Age	Status	Direct Ownership (%)		Indirect Ownership (%)		Date of Appointment
						Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	
1	Omar Mohammed Nabil AlMidani	Chairman	Saudi	43 years	Non-executive/ Non-independent	-	-	-	-	08/05/1442H (corresponding to 23/12/2020G)
2	Balkrishan Gopiram Goenka	Vice Chairman	Indian	54 years	Non-executive/ Non-independent	-	-	22.51%*	15.76%	04/02/1442H (corresponding to 21/09/2020G)
3	Vipul Shiv Sahai Mathur	Director and Managing Director	Indian	50 years	Executive/ Non-independent	-	-	0.002%**	0.001%	04/02/1442H (corresponding to 21/09/2020G)
4	Mohammed Saleh Mohammed Hamad AlHammadi	Director	Saudi	49 years	Non-executive/ Non-independent	-	-	-	-	04/02/1442H (corresponding to 21/09/2020G)
5	Ahmed Mubarak Mohammed Al-Debasi	Director	Saudi	62 years	Non-executive/ Independent	-	-	-	-	04/02/1442H (corresponding to 21/09/2020G)
6	Suhail Amin Nathani	Director	American	55 years	Non-executive/ Independent	-	-	-	-	04/02/1442H (corresponding to 21/09/2020G)
7	Mohammed Abdulrahman Abdullah Al-Othman	Director	Saudi	51 years	Non-executive/ Non-independent	-	-	4.8%***	3.36%	13/05/1442H (corresponding to 21/09/2020G)
8	Khalid Ibrahim Saad Al-Rabiah	Director	Saudi	59 years	Non-executive/ Independent	-	-	-	-	14/02/1443H (corresponding to 21/09/2021G)

* Balkrishan Gopiram Goenka owns 50.02% of Welspun Corp Ltd., which owns 89.98% of Welspun Mauritius Holdings Ltd., which in turn owns 50.01% of the Company's shares.

** Vipul Shiv Sahai Mathur owns 0.004% of Welspun Corp Ltd., which owns 89.98% of Welspun Mauritius Holdings Ltd., which in turn owns 50.01% of the Company's shares.

*** Mohammed Abdulrahman Abdullah Al-Othman owns 100% of Mohammed Al-Othman Holding Company, which (1) owns 35% of Mohawarean International Group, which owns 100% of Saudi Global Energy, which owns 80% of Al-Haitam for Industries and Economic Development, which in turn owns an interest of 10.02% in Welspun Mauritius Holdings Ltd., which in turn owns 50.01% of the Company's shares; (2) 100% of the First Star Company, which owns 20% of Al-Haitam for Industries and Economic Development, which in turn owns 10.02% of Welspun Mauritius Holdings Ltd., which in turn owns 50.01% of the Company's shares; and (3) 35% of Mohawarean International Group, which owns 100% of Saudi Global Energy, which owns 80% of Al-Haitam for Industries and Economic Development, which owns 100% of Mohawarean Industrial Services Co., which in turn owns 4.99% of the Company's shares; and (4) 100% of the First Star Company, which owns 20% of Al-Haitam for Industries and Economic Development, which owns 100% of Mohawarean Industrial Services Co., which in turn owns 4.99% of the Company's shares.

Source: The Company

Company's Address, Representatives and Board Secretary

Company's Address

East Pipes Integrated Company for Industry
Second Industrial City, Dammam
P.O. Box 12934
Dammam 31483
Kingdom of Saudi Arabia
Tel: +966 (13) 8121999
Fax: +966 (13) 812 1446
Website: www.eastpipes.com
Email: info@ eastpipes.com

أنابيب الشرق
EAST PIPES

Company Representatives

Vipul Shiv Sahai Mathur
Director and Managing Director
P.O. Box 12934
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Tel: +91 22 66136000 (Ext. No.: 6494)
Fax: +91 2224908020
Website: www.eastpipes.com
Email: vipul_mathur@welspun.com

Mohammed Abdulaziz Mohammed Al-Shaheen
Chief Executive Officer
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Kingdom of Saudi Arabia
Tel: +966 (13) 8121999
Fax: +966 (13) 8121666
Website: www.eastpipes.com
Email: Mohammed.AlShaheen@eastpipes.com

Board Secretary

Mohammed Saleh Ali Darweesh
P.O. Box 12934
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Kingdom of Saudi Arabia
Tel: +966 (13) 8121999
Fax: +966 (13) 8121666
Website: www.eastpipes.com
Email: Mohamed.Darweesh@eastpipes.com

The Exchange

Saudi Exchange (Tadawul)
King Fahd Road - Al Olaya 6897
Unit No.: 15
Riyadh 12211-3388
Kingdom of Saudi Arabia
Tel: +966 (11) 92000 1919
Fax: +966 (11) 218 9133
Website: www.saudiexchange.com
Email: csc@saudiexchange.sa

تداول السعودية
Saudi Exchange

Depository Center (SDC)

Securities Depository Center Company (Edaa)
King Fahd Road - Al Olaya 6897
Unit No. 11
Riyadh 12211-3388
Kingdom of Saudi Arabia
Tel: +966 92002 6000
Website: www.edaa.com.sa
Email: cc@edaa.com.sa

ايداع
Edaa
من مجموعة تداول السعودية
From Saudi Tadawul Group

Advisors

Financial Advisor, Lead Manager, Bookrunner and Underwriter
SNB Capital SNB Regional Building King Saud Road P.O. Box 22216 Riyadh 11495 Kingdom of Saudi Arabia Tel: +966920000232 Fax: +966 11 4060052 Website: www.alahlicapital.com Email: snbc.cm@alahlicapital.com
Legal Advisor to the Company
Law Office of Salman M. Al-Sudairi King Fahd Road Tatweer Tower - First Tower - 7th Floor P.O. Box 17411 Riyadh 11484 Kingdom of Saudi Arabia Tel: +966 (11) 2072500 Fax: +966 (11) 2072577 Website: www.alsudairilaw.com.sa Email: info@alsudairilaw.com.sa
Financial Due Diligence Advisor
Ernst & Young & Co. (Certified Public Accountants) Al Faisaliah Tower, 14th Floor King Fahd Road P.O. Box 2732 Riyadh 11461 Kingdom of Saudi Arabia Tel: +966 (11) 2734740 Fax: +966 (11) 2734730 Website: www.ey.com Email: riyadh@sa.ey.com

Independent Auditor
PricewaterhouseCoopers Auditing King Abdulaziz Road, Al Hugayet Tower P.O. Box 467 Dhahran 31932 Tel: +966 (13) 849 6311 Fax: +966 (13) 849 6281 Kingdom of Saudi Arabia Website: www.pwc.com/middle-east Email: ali.basri@pwc.com
Market Consultant
Roland Berger Middle East WLL Almoayyed Tower, 12th Floor P.O. Box 18259, Manama Kingdom of Bahrain Tel: +973 (17) 567 950 Fax: +973 (17) 566 703 Website: www.rolandberger.com Email: office_bahrain@rolandberger.com

Note:

As of the date of this Prospectus, the above Advisors and the Auditor have given and have not withdrawn their written consent to the publication of their names, addresses and logos in this Prospectus and to the publication of their statements in the form and content appearing herein. Moreover, the Advisors and Auditor mentioned above do not themselves, nor do any of their employees who form part of the team serving the Company, or any relatives thereof, have any shareholding or interest of any kind in the Company as at the date of this Prospectus which would impair their independence.

Receiving Entities

Saudi National Bank
King Fahd Road - Al-Aqiq District - KAFD
P.O. Box 3208 Unit No.: 778
Riyadh 13519-6676
Kingdom of Saudi Arabia
Tel: +966 92000 1000
Fax: +966 12 643 7426
Website: www.alahli.com
Email: contactus@alahli.com

Offering Summary

This Offering Summary is intended to provide a brief overview of the information detailed in this Prospectus. As such, it does not contain all the information that may be important to prospective investors in making a decision to invest in the Offer Shares. Accordingly, prospective investors should read this entire Prospectus in full, and any decision to invest in the Offer Shares should be based on a consideration of this Prospectus as a whole. In particular, it is important to carefully consider the "**Important Notice**" on page (i) and Section 2 "**Risk Factors**" prior to making an investment decision with respect to the Offer Shares. Subscribers should not rely solely on this summary.

Company Name, Description and Establishment	East Pipes Integrated Company for Industry is a mixed closed Saudi joint stock company pursuant to Ministerial Resolution No. 7 dated 05/02/1442H (corresponding to 22/09/2020G), and registered in Dammam under Commercial Registeration No. 2050071522 dated 22/07/1431H (corresponding to 04/07/2010G). Its registered address is Second Industrial City in Dammam, P.O. Box 12943, Dammam, 31483, Kingdom of Saudi Arabia22/09/2020G04/07/2010G. The Company was established on 16/06/1431H (corresponding to 30/05/2010G) under the name "Pipe Development for Pipe Manufacturing Company" as a limited liability company with a fully paid-up capital of five hundred thousand Saudi Riyals (SAR 500,000) divided into fifty thousand (50,000) cash shares with a fully paid-up nominal value of ten Saudi Riyals (SAR 10) per share. It was registered in the Commercial Register of Dammam under No. 2050071522 dated 22/07/1431H (corresponding to 04/07/2010G). The Company was also licensed by the Ministry of Investment under Industrial Investment License No. 121031118992 dated 22/07/1431H (corresponding to 04/07/2010G). On 09/11/1431H (corresponding to 17/10/2010G), the shareholders agreed to increase the Company's capital from five hundred thousand Saudi Riyals (SAR 500,000) to seventy-six million, forty-six thousand, eight hundred seventy-five Saudi Riyals (SAR 76,046,875), divided into seventy-six million, forty-six thousand, eight hundred seventy-five (76,046,875) shares. The nominal value of the shares was reduced to the value of one Saudi riyal (SAR 1) each. The increase of seventy-five million, five hundred forty-six thousand, eight hundred seventy-five Saudi Riyals (SAR 75,546,875) was covered through in-kind shares provided by the shareholders. On 18/12/1431H (corresponding to 24/11/2010G), the shareholders agreed to change the Company's name from "Pipe Development for Pipe Manufacturing Company" to "Welspun Middle East Pipes Company." On 21/09/1441H (corresponding to 14/05/2020G), the Shareholders agreed to merge Welspun Coating with all of its assets, rights, liabilities and obligations into the Company under a merger agreement between the Company's shareholders and the shareholders of Welspun Coating on 21/09/1441H (corresponding to 14/05/2020G), whereby the shareholders agreed that (i) Welspun Coating shall merge with the Company, (ii) Welspun Coating shall cease to exist as a separate legal entity, and (iii) the Company shall continue to exist as the surviving entity after the merger is complete. The merger process was completed on 30/11/1441H (corresponding to 21/07/2020G), and Welspun Coating became a branch of the Company. On 05/02/1442H (corresponding to 22/09/2020G), the Company was converted from a limited liability company to a joint stock company, pursuant to Ministerial Resolution No. 7 announcing such conversion, with a fully paid-up capital of seventy-six million, forty-six thousand, eight hundred eighty Saudi Riyals (SAR 76,046,880), divided into seven million, six hundred four thousand, six hundred eighty-eight (7,604,688) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share. On 13/05/1442H (corresponding to 28/12/2020G), the Extraordinary General Assembly approved the change of the Company's name from "Welspun Middle East Pipes Company" to "East Pipes Integrated Company for Industry." It also agreed to increase the Company's capital from seventy-six million, forty-six thousand, eight hundred eighty Saudi Riyals (SAR 76,046,880) to two hundred ten million Saudi Riyals (SAR 210,000,000), divided into twenty-one million (21,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share. The increase of one hundred thirty-three million, nine hundred fiftythree thousand, one hundred twenty Saudi Riyals (SAR 133,953,120) was covered through capitalization of the Company's Shareholders' debts (for further information about the history of the Company, please refer to Section 4-1-2 "**Company History and Evolution of the Company's Share Capital**" of this Prospectus).
Company Activities	According to its Bylaws and Investment License, the Company's activities comprise the following: 1. Manufacture of pipes. 2. Manufacture of pipes, tubes and hollow shapes from iron and steel. 3. Manufacture of tubes, pipes, hollow forms, and pipes and tubes connections. 4. Processing and painting metals by refinement and polishing. According to its Commercial Registration, the Company's activities include: 1. Manufacture of pipes. 2. Manufacture of pipes, tubes and hollow shapes from iron and steel. Manufacture of tubes, pipes, hollow forms, and pipes and tubes connections.

<table>
<tr><td>Substantial Shareholders</td><td>
The Company's Substantial Shareholders, each of whom directly owns 5% or more of the Company's shares, are Welspun Holding, Aziz Company and Vision Invest. The following table sets out the number of shares directly owned by the Substantial Shareholders and their ownership percentage in the Company pre-and post-Offering:
Table (1-2): Direct Substantial Shareholders, Their Number of Shares and Ownership Percentage pre-and post-Offering
<table>
<tr><th rowspan="2">Shareholder</th><th colspan="3">Pre-Offering</th><th colspan="3">Post-Offering</th></tr>
<tr><th>Number of Shares</th><th>Nominal Value (SAR)</th><th>Ownership %</th><th>Number of Shares</th><th>Nominal Value (SAR)</th><th>Ownership %</th></tr>
<tr><td>Welspun Holding</td><td>10,502,101</td><td>105,021,010</td><td>50.01%</td><td>7,351,471</td><td>73,514,710</td><td>35.01%</td></tr>
<tr><td>Aziz Company</td><td>5,985,000</td><td>59,850,000</td><td>28.50%</td><td>4,189,500</td><td>41,895,000</td><td>19.95%</td></tr>
<tr><td>Vision Invest</td><td>3,464,999</td><td>34,649,990</td><td>16.50%</td><td>2,425,499</td><td>24,254,990</td><td>11.55%</td></tr>
<tr><td>Total</td><td>19,952,100</td><td>199,521,000</td><td>95.1%</td><td>13,966,470</td><td>139,664,700</td><td>66.51%</td></tr>
</table>
Source: The Company
</td></tr>
<tr><td>The Company's Capital</td><td>Two hundred ten million Saudi Riyals (SAR 210,000,000) fully paid.</td></tr>
<tr><td>Total Number of Company Shares</td><td>Twenty-one million (21,000,000) fully paid ordinary shares.</td></tr>
<tr><td>Nominal Value per Share</td><td>Ten Saudi Riyals (SAR 10) per share.</td></tr>
<tr><td>Offering</td><td>Offering of six million, three hundred thousand (6,300,000) ordinary shares representing 30% of the capital of the Company for public subscription at an offer price of Eighty (80) Saudi Riyals per share.</td></tr>
<tr><td>Total Number of Offer Shares</td><td>Six million, three hundred thousand (6,300,000) fully paid ordinary shares.</td></tr>
<tr><td>Percentage of Offer Shares to the Company's Capital</td><td>The Offer Shares represent 30% of the Company's share capital.</td></tr>
<tr><td>Offer Price</td><td>Eighty Saudi Riyals (SAR 80).</td></tr>
<tr><td>Total Offering Amount</td><td>five hundred and four million Saudi Riyals (SAR 504,000,000).</td></tr>
<tr><td>Use of Proceeds</td><td>The Offering Proceeds are expected to be five hundred and four million (504,000,000) Saudi Riyals, net of all expenses and costs of the Offering amounting to about twenty three million five thousand (23,500,000) Saudi Riyals. The Net Offering Proceeds of four hundred eighty million and five hundred thousand (480,500,000) Saudi Riyals will be distributed to the Selling Shareholders pro-rata to the number of their Offer Shares. The Company will not receive any part of the Offering Proceeds (for further information regarding the Offering Proceeds, please refer to Section 8 "Use of Proceeds" of this Prospectus).</td></tr>
<tr><td>Number of Offer Shares to be Underwritten</td><td>Six million, three hundred thousand (6,300,000) ordinary shares.</td></tr>
<tr><td>Total Offering Amount to be Underwritten</td><td>Five hundred and four million Saudi Riyals (SAR 504,000,000).</td></tr>
</table>

Categories of Targeted Investors	Subscription to the Offer Shares shall be limited to two tranches of investors, as follows: **Tranche A: Participating Parties:** this tranche comprises the parties entitled to participate in the book-building process as specified under the Book-Building Instructions (please refer to Section 1 "**Definitions and Abbreviations**" of this Prospectus). **Tranche B: Retail Investors:** this tranche comprises Saudi Arabian natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi, who can subscribe under their names for her own benefit, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, in addition to any non-Saudi natural person who is resident in the Kingdom or any GCC natural investors, provided they have a bank account with a Receiving Entity and are allowed to open an investment account..
Total Offer Shares Available for Each Category of Targeted Investors	
Number of Offer Shares Available to Participating Parties	Six million, three hundred thousand (6,300,000) Offer Shares, representing 100% of the total Offer Shares. Final allocation of the Offer Shares will be made after the end of the Offering Period for Retail InvestorsRetail Investor. If Retail Investors subscribe for all Offer Shares allocated thereto, the Bookrunner has the right to reduce the number of Offer Shares allocated to Participating Parties to a minimum of five million, six hundred seventy thousand (5,670,000) Offer Shares, representing 90% of the Offer Shares.
Number of Offer Shares for Reatil Investors	A maximum of six hundred thirty thousand (630,000) Offer Shares, representing 10% of the Offer Shares.
Subscription Method for Each Targeted Investor Category	
Subscription Method for Participating Parties	Participating Parties may apply for the subscription. The Bookrunner will make the Application Forms available to Participating Parties during the book building process. After the initial allocation, the Bookrunner will provide Subscription Forms to the Participating Parties, who must complete them.
Subscription Method for Retail Investors	Subscription Application Forms will be available to the Retail Investors during the Offering Period at some branches of the Receiving Entities. Subscription Forms must be completed in accordance with the instructions mentioned in Section 17"**Subscription Terms and Conditions**" of this Prospectus) and submitted to one of the branches of the Receiving Entities. Retail Investors who have recently participated in a previous initial public offering can also subscribe through the internet, telephone banking, or ATMs of any of the Receiving Entities that offer any or all such services to its customers, provided that (a) the Retail Investor has a bank account at a Receiving Entity that offers such services; (b) there have been no changes in the personal details of the Retail Investor since their subscription in a recent offering; and (c) Retail Investors who are not Saudi or GCC citizens have an account with a Capital Market Institution that offers such services.
Minimum Number of Offer Shares to be Applied for by Each Targeted Investor Category	
Minimum Number of Offer Shares to be Applied for by Participating Parties	One hundred thousand (100,000) Offer Shares.
Minimum Number of Offer Shares to be Applied for by Retail Investors	Ten (10) Offer Shares.
Minimum Subscription Amount by Each Targeted Investor Category	
Minimum Subscription Amount for Participating Parties	Eight million Saudi Riyals (SAR 8,000,000).
Minimum Subscription Amount for Retail Investors	Eight hundred Saudi Riyals (SAR 800).

Maximum Number of Offer Shares to be Applied for by Each Targeted Investor Category	
Maximum Number of Offer Shares to be Applied for by Participating Parties	1,049,999 Offer Shares, and in relation to public funds only, up to the maximum amount for each participating public fund to be determined in accordance with the Book-Building Instructions.
Maximum Number of Offer Shares to be Applied for by Retail Investors	Two hundred fifty thousand (250,000) Shares.
Maximum Subscription Amount for Each Targeted Investor Category	
Maximum Subscription Amount for Participating Parties	Eighty three million nine hundred ninety nine thousand nine hundred and twenty Saudi Riyals (SAR 83,999,920).
Maximum Subscription Amount for Retail Investors	twenty million Saudi Riyals (SAR 20,000,000).
Allocation and Refund of Excess Subscription Amounts for Each Targeted Investor Category	
Allocation Method for Participating Parties	Upon completion of the allocation of the Offer Shares to Retail Investors, the final allocation of Offer Shares to Participating Parties shall be determined by the Company at its discretion, in coordination with the Financial Advisor. The Offer Shares initially allocated to Participating Parties is 6,300,000 ordinary shares, representing 100% of the Offer Shares. If there is sufficient demand from Retail Investors, the Bookrunner has the right to reduce the Offer Shares allocated to the Participating Parties to 5,670,000 ordinary shares, representing 90% of the Offer Shares, after the completion of the subscription process for Retail Investors.
Allocation Method for Retail Investors	Allocation of the Offer Shares to Retail Investor is expected to be completed no later than Sunday, 27/06/1443H (corresponding to 30/01/2022G). The minimum allocation per Retail Investor is ten (10) shares, and the maximum allocation per RetailInvestor is two hundred fifty thousand (250,000). The remaining Offer Shares, if any, will be allocated on a pro rata basis based on the number of Offer Shares applied for by each Investor. In the event that the number of Retail Investors exceeds 63,000, the Company does not guarantee the minimum allocation, and in which case the Offer Shares will be allocated on an equal basis to Retail Investors. In this case, the shares will be allocated as determined by the Company and the Financial Advisor (for further information, please refer to Section 17 "**Subscription Terms and Conditions**" of this Prospectus).
Refund of Excess Subscription Amounts	Excess subscription amounts, if any, will be refunded to Retail Investors without any deductions or fees being withheld by the Receiving Entities, as set out in the Subscription Form for Retail Investors. The announcement of the allocation process will be made no later than Sunday, 27/06/1443H (corresponding to 30/01/2022G), and the refund of excess subscription amounts will be made no later than Wednesday, 01/07/1443H (corresponding to 02/02/2022G).
Offering Period	The Offering Period will commence on Monday 21/06/1443H (corresponding to 24/01/2022G) and ending on Tuesday 22/06/1443H (corresponding to 25/01/2022G).
Entitlement to Dividends	The Offer Shares will be entitled to their portion of any dividends declared and paid by the Company as of the date of this Prospectus and for subsequent financial years (for further information, see Section 7 "**Dividend Distribution Policy**" of this Prospectus).
Voting Rights	The Company has one class of ordinary shares. None of the shares carry any preferential voting rights. Each share entitles its holder to one vote. Each Shareholder has the right to attend and vote in the General Assembly and may delegate another Shareholder that is not a Director or employee of the Company to attend and vote in General Assembly meetings on their behalf (for further information about voting rights, please refer to Section 12-3 "**Summary of the Company's Bylaws**" of this Prospectus).
Restrictions on the Shares (Lock-up Period)	The Substantial Shareholders are subject to a Lock-up Period of six (6) months from the date on which trading of the Offer Shares commences on the Exchange. During the Lock-up Period, the Substantial Shareholders may not dispose of their shares. After the end of this period, they may dispose of their shares without prior approval from the CMA.

Shares Previously Listed by the Company	Prior to the Offering, there has been no public market for the shares in the Kingdom or elsewhere. The Company has submitted an application to the CMA for registration and offer of the shares in accordance with the Rules on the Offer of Securities and Continuing Obligations. The Company also submitted an application to the Exchange for admission to listing in accordance with the Listing Rules. All relevant approvals pertaining to the Offering have been granted, and all supporting documents required by the CMA have been obtained. It is expected that trading in the Shares will commence on the Exchange shortly after the final allocation of the Offer Shares (for further information, please refer to "**Key Dates and Subscription Procedures**" on page (xiv) of this Prospectus).
Risk Factors	There are certain risks related to investment in the Offer Shares. Such risks can be classified as follows: 1. Risks Related to the Company. 2. Risks Related to the Market and Industry in which the Company Operates. 3. Risks Related to the Offer Shares. These risks are described in Section 2 "**Risk Factors**" of this Prospectus, and should be considered carefully prior to making a decision to invest in the Offer Shares.
Offering Expenses	The expenses and costs related to the Offering will be fully borne by the Selling Shareholders and deducted from the Offering Proceeds. The Offering expenses amount to about twenty three million five thousand (23,500,000) Saudi Riyals, including the fees of the Financial Advisor, Underwriter, Lead Manager, Bookrunner, Legal Advisor, Legal Advisor to the Underwriter, Due Diligence Advisor, Auditor and Market Consultant, in addition to the Receiving Entities' fees and marketing, printing, distribution, translation and other expenses related to the Offering.
Underwriter	**SNB Capital** SNB Regional Building King Saud Road P.O. Box 22216 Riyadh 11495 Kingdom of Saudi Arabia Tel: +966920000232 Fax: +966 11 4060052 Website: www.alahlicapital.com Email: snbc.cm@alahlicapital.com

Note: The Section "**Important Notice**" on page (i) and Section 2 "**Risk Factors**" of this Prospectus should be carefully considered prior to making a decision to invest in the Offer Shares.

Key Dates and Subscription Procedures

Key Dates

Table (1-3): Expected Offering Timetable

Event	Date
Bidding and book-building period for Participating Parties	A period of seven (7) days, commencing on Tuesday 08/06/1443H (corresponding to 11/01/2022G) and ending on Monday 14/06/1443H (corresponding to 17/1/2022G).
Offering Period for Retail Investors	A period of two (2) days, commencing on Monday 21/06/1443H (corresponding to 24/01/2022G) and ending on Tuesday 22/06/1443H (corresponding to 25/01/2022G).
Deadline for the submission of Subscription Applications for Participating Parties based on the number of Offer Shares provisionally allocated to them	Sunday, 20/06/1443H (corresponding to 23/01/2022G).
Deadline for the payment of subscription amounts for Participating Parties based on the provisionally allocated Offer Shares	Tuesday, 22/06/1443H (corresponding to 25/01/2022G).
Deadline for submission of Subscription Applications and payment of subscription amounts for Retail Investors	Tuesday, 22/06/1443H (corresponding to 25/01/2022G).
Announcement of final Offer Shares allotment	Sunday, 27/06/1443H (corresponding to 30/01/2022G).
Refund of excess subscription amounts (if any)	Wednesday, 01/07/1443H (corresponding to 02/02/2022G).
Expected start date of trading in the Exchange	Trading of the Company's Shares on the Exchange is expected to commence after all relevant regulatory requirements are satisfied. Trading will be announced on the Exchange's website (www.saudiexchange.sa).

Note: The above timetable and dates therein are indicative. Actual dates will be communicated through announcements appearing on the websites of the Exchange (www.saudiexchange.sa), the Financial Advisor (www.alahlicapital.com) and the Company (www.eastpipes.com).

How to Apply for the Offering

Subscription to the Offer Shares shall be limited to two tranches of investors, as follows:

A. Participating Parties:

this tranche comprises the parties entitled to participate in the book-building process as specified under the Book-Building Instructions (please refer to Section 1 "**Definitions and Abbreviations**" of this Prospectus).

Participating Parties can obtain Bid Forms from the Bookrunner during the book-building process period and Subscription Application Forms from the Bookrunner after the provisional allocation. The Bookrunner shall, after obtaining the approval of the CMA, offer the Offer Shares to the Participating Parties only during the Book-Building Period. Subscription by Participating Parties shall commence during the Offering Period, which also includes Retail Investors, in accordance with the terms and conditions detailed in the Subscription Application Forms. A signed Subscription Application Form must be submitted to the Bookrunner, which represents a legally binding agreement between the Selling Shareholders and the Participating Party submitting the application.

B. Retail Investors:

This tranche comprises Saudi Arabian natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi, who can subscribe under their names for her own benefit, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, in addition to any non-Saudi natural person who is resident in the Kingdom or any GCC natural investors, provided they have a bank account with a Receiving Entity and are allowed to open an investment account.

Subscription Application Forms for Retail Investors will be available during the Offering Period at certain branches of the Receiving Entities. Retail Investors can also subscribe through the internet, telephone banking, or ATMs of any of the Receiving Entities that offer one or all such services to Retail Investors who have participated in recent offerings, provided that:

- the Retail Investor has a bank account with a Receiving Entity which offers such services; and
- there have been no changes in the personal information or data of the Retail Investor (by way of removal or addition of a family member) since they last participated in a recent public offering;
- individual Investors who are not Saudi or GCC citizens have an account with a Capital Market Institution that offers such services.

Subscription Application Forms must be completed in accordance with the instructions set out in Section 17 "**Subscription Terms and Conditions**" of this Prospectus. Applicants must complete all relevant items of the Subscription Form. The Company reserves the right to decline any subscription application, in whole or in part, in the event that any of the subscription terms and conditions are not met. Amendments to and withdrawal of the subscription application shall not be permitted once the subscription application has been submitted. The submission of the Subscription Application Form is considered a binding agreement between the relevant subscriber and the Selling Shareholder (for further details, see Section 17 "**Subscription Terms and Conditions**" of this Prospectus).

Excess subscription amounts, if any, will be refunded to the main Investor's account with the Receiving Entity from which the subscription value was debited initially, without any commission or withholding by the Lead Manager or the Receiving Entities. Excess subscription amounts shall not be refunded in cash or to third-party accounts.

For further information regarding subscription by Retail Investors and Participating Parties, please refer to Section 17 "**Subscription Terms and Conditions**" of this Prospectus.

Summary of Key Information

This summary of key information is intended to provide a brief overview of the information detailed in this Prospectus; however, this Summary does not include all information that is important for prospective investors to make a decision to invest in the Offer Shares. Therefore, investors who wish to subscribe for the Offer Shares must read and review this Prospectus in full. Any decision to invest in the Offer Shares should be based on consideration of this Prospectus as a whole. In particular, it is important to carefully consider the "**Important Notice**" on page (i) and Section 2 "**Risk Factors**" prior to making an investment decision with respect to the Offer Shares. Subscribers should not rely solely on this summary.

Overview of the Company

East Pipes Integrated Company for Industry is a mixed closed joint stock company pursuant to Ministerial Resolution No. 7 dated 05/02/1442H (corresponding to 22/09/2020G), registered in Dammam under Commercial Registeration No. 2050071522 dated 22/07/1431H (corresponding to 04/07/2010G). Its registered address is Second Industrial City in Dammam, P.O. Box 12943, Dammam, 31483, Kingdom of Saudi Arabia.

The Company was established on 16/06/1431H (corresponding to 30/05/2010G) under the name "Pipe Development for Pipe Manufacturing Company" as a limited liability company with a fully paid-up capital of five hundred thousand Saudi Riyals (SAR 500,000) divided into fifty thousand (50,000) fully paid cash shares with a nominal value of ten Saudi Riyals (SAR 10) per share. It was registered in the Commercial Register of Dammam under No. 2050071522 dated 22/07/1431H (corresponding to 04/07/2010G). The Company was also licensed by the Ministry of Investment under Industrial Investment License No. 121031118992 dated 22/07/1431H (corresponding to 04/07/2010G).

On 09/11/1431H (corresponding to 17/10/2010G), the shareholders agreed to increase the Company's capital from five hundred thousand Saudi Riyals (SAR 500,000) to seventy-six million, forty-six thousand, eight hundred seventy-five Saudi Riyals (SAR 76,046,875), divided into seventy-six million, forty-six thousand, eight hundred seventy-five (76,046,875) shares. The nominal value of the shares was reduced to the value of one Saudi riyal (SAR 1) each. The increase of seventy-five million, five hundred forty-six thousand, eight hundred seventy-five Saudi Riyals (SAR 75,546,875) was covered through in-kind shares provided by the shareholders. On 18/12/1431H (corresponding to 24/11/2010G), the shareholders agreed to change the Company's name from "Pipe Development for Pipe Manufacturing Company" to "Welspun Middle East Pipes Company."

On 21/09/1441H (corresponding to 14/05/2020G), the shareholders agreed to merge Welspun Coating with all of its assets, rights, liabilities and obligations into the Company under a merger agreement between the shareholders of the Company and the shareholders of Welspun Coating on 21/09/1441H (corresponding to 14/05/2020G), whereby the shareholders agreed that (i) Welspun Coating shall merge with the Company, (ii) Welspun Coating shall cease to exist as a separate legal entity, and (iii) the Company shall continue to exist as the surviving entity after the merger is complete. The merger process was completed on 30/11/1441H (corresponding to 21/07/2020G), and Welspun Coating became a branch of the Company.

On 05/02/1442H (corresponding to 22/09/2020G), the Company was converted from a limited liability company to a joint stock company, pursuant to Ministerial Resolution No. 7 announcing such conversion, with a fully paid-up capital of seventy-six million, forty-six thousand, eight hundred eighty Saudi Riyals (SAR 76,046,880), divided into seven million, six hundred four thousand, six hundred eighty-eight (7,604,688) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share.

On 13/05/1442H (corresponding to 28/12/2020G), the Extraordinary General Assembly approved the change of the Company's name from "Welspun Middle East Pipes Company" to "East Pipes Integrated Company for Industry." It also agreed to increase the Company's capital from seventy-six million, forty-six thousand, eight hundred eighty Saudi Riyals (SAR 76,046,880) to two hundred ten million Saudi Riyals (SAR 210,000,000), divided into twenty-one million (21,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share. The increase of one hundred thirty-three million, nine hundred fifty-three thousand, one hundred twenty Saudi Riyals (SAR 133,953,120) was covered through capitalization of the Company's Shareholders' debts (for further information about the history of the Company, please refer to Section 4-1-2 "**Company History and Evolution of the Company's Share Capital**" of this Prospectus).

Principal Activities of the Company

According to its Articles of Association and Investment License, the Company's activities are as follows:

1) Manufacture of pipes.

2) Manufacture of pipes, tubes and hollow shapes from iron and steel.

3) Manufacture of tubes, pipes, hollow forms, and pipes and tubes connections.

4) Processing and painting metals by refinement and polishing.

According to its Commercial Registration, the Company's activities include:

1) Manufacture of pipes.

2) Manufacture of pipes, tubes and hollow shapes from iron and steel.

Manufacture of tubes, pipes, hollow forms, and pipes and tubes connections.Manufacturing of pipes, tubes, hollow shapes, and pipe and tube connections.

The Company's Vision, Mission and Strategy

The Company's Vision and Mission

Satisfy customers through innovation and technology, achieve inclusive and sustainable growth in order for the Company to remain eminent in all its business.

Strategy

The Company's strategy is based on maintaining its competitive advantage by leveraging its manufacturing capability, business development efforts and price competitiveness to be the supplier of choice in the rapidly evolving market in the Kingdom. The main components of the Company's strategy are:

Maintaining the Company's Manufacturing Advantage through Investment in Plants, Processes and People

A. The Company seeks to foster a culture of engineering excellence and invests significantly in its manufacturing capability comprising:

- **Plants:** The Company regularly invests in its manufacturing capability and currently has a large integrated capacity (including pipe manufacturing, double-jointing and coating), which can provide complete pipe solutions to customers. It undertook an expansion in 2019G by increasing its nominal production capacity from three hundred thousand metric tons (300,000 MT) to three hundred seventy-five thousand metric tons (375,000 MT) per annum. The Company deals with leading original equipment manufacturers (OEMs) and has installed state of the art equipment in its facility, such as digital radiography and a welding system with auto stick-out control. The Company's manufacturing plants have obtained quality certificates such as ISO 9001:2015, API 5L, API Spec Q1, ISO 9001:2015, ISO 45001: 2018G), (ISO 14001:2015) and (ISO/IEC 17025:2017) certifications which require a very high degree of manufacturing capability and process control (for more information about the Company's quality certifications, please refer to Section 4-3-6 (B) "**Quality Certifications**" of this Prospectus).
- **Processes:** In addition to plants and machinery, the Company has comprehensive production processes which are regularly reviewed and vetted to improve safety, productivity and efficiency. Each of the processes is well defined,documented and interlinked with the enterprise resource planning system (SAP), which has been designed and implemented over years of experience, benefiting from the knowledge gained. As a part of production planning, key performance indicators are well defined for every project and are monitored continuously, which results in steel yield, coating material consumption, plant uptime and safety index of the highest standard in the pipe industry.
- **Employees:** The Company has a workforce highly qualified in their respective fields. The Company attaches great importance to its employees and conducts regular training to enhance their skill levels and enrich their knowledge on the latest engineering developments. Each employee is expected to complete training courses every year as part of their development. Training programs are conducted in-house and in certain cases by external providers such as suppliers of equipment. Employee training is monitored by the Company's human resources department and reported regularly to the Company's Board.

B. Develop Best-in-Class Pipes Solutions for Customers

The Company works continuously with its customers to understand their requirements and to provide them with the most suitable high-quality pipe solutions. The Company is certified to produce pipes of grades up to API 5L X-80, which are suitable for midstream water and oil and gas transmission. The Company has submitted a proposal to one of its customers whereby it is establishing the technical feasibility of using HSAW Pipes for sour gas applications, a new service to be provided by the Company. If successful, this initiative will create a new market for HSAW Pipes and open up the sour gas market to the Company, which is currently supplied by LSAW pipe manufacturers. Notably, the LSAW Pipe demand in the Kingdom is approximately 0.56 million tons (i.e., approximately 70% of the GCC's LSAW market of 0.7 million tons) (for further information on the LSAW market, please refer to Section 3-2"**GCC & KSA market overview**" of this Prospectus).

C. Cost Management to Lead in Competitive Pricing

The Company carefully manages its costs and overheads in order to remain highly competitive in bidding for new orders, particularly from government and government-owned entities such as Saline Water Conversion Corporation ("**SWCC**") and Saudi Arabian Oil Company ("**Saudi Aramco**"). Areas of cost management include:

- **Manufacturing efficiency:** The Company aims to maintain a high raw material yield by procuring quality raw materials, plant maintenance, plant upgrades and process controls. By virtue of its advanced equipment, robust processes and continuous review and monitoring systems, the Company operates at a raw material yield that is higher than the industry standards, which in turn gives the Company an edge over its competitors.
- **Procurement:** The Company benefits from its scale by receiving more competitive raw material prices than some of its competitors by obtaining bulk discounts based on order quantity.
- **Administrative expenses:** The Company closely monitors and manages its operating and administrative administrative expenses to ensure efficiencies that result in higher margins, affording it the flexibility and ability to be competitive in pricing bids for new orders. The Company has successfully managed manufacturing costs as follows:
  - While HSAW revenue increased at a CAGR of 147.7% between the financial years ended March 31, 2018G and 2020G, the HSAW Plant's conversion costs increased at a CAGR of 15.1% over the same period; and
  - While coating revenue increased at a CAGR of 88.3% between the financial years ended March 31, 2018G and March 31, 2020G, the Coating Plant's conversion costs increased at a CAGR of 15.2% over the same period.

D. Taking Advantage of the Kingdom's National In-Country Procurement Initiatives to Bolster the Local Market

The government of the Kingdom and its related state-owned-entities have introduced a number of initiatives directed towards procurement from local manufacturers to promote domestic industries such as local content programs and the in-Kingdom Total Value Add (IKTVA) Program. Local manufacturers such as the Company benefit from these programs, as customers in the Kingdom allocate more of their procurement to domestic manufacturers. The Company has been able to position itself as a leading domestic manufacturer. The Company's market share of HSAW Pipes in the Kingdom has increased from 15% in 2015G to approximately 50% in 2019G.

E. Explore New Opportunities in the Evolving Market in the Kingdom

The market in the Kingdom is rapidly evolving due to the government's emphasis on economic reforms and non-oil sector growth. These initiatives are creating opportunities for the Company to grow further. The Kingdom's Vision 2030 Program includes initiatives such as the National Transformation Program (NTP), the National Industrial Development and Logistics Program (NIDLP), the Housing Program and the Financial Sector Development Program (FSDP), which will create opportunities for the Company through new infrastructure projects such as new cities, housing, power generation, water desalination and gas pipelines, increased private sector involvement with the government, promotion of local manufacturing and increased financing capability (for more information on initiatives under the Vision 2030 Program and its impact on the Company, please refer to Section 3-2-1 (C) "**Government expenditure and budget reduction**" of this Prospectus).

Furthermore, the Kingdom's Council of Ministers has recently approved the privatization of SWCC. As a result, a portion of the future water pipeline projects is expected to be independent water transmission projects (pipelines built and operated by private companies) carried out by the Saudi Water Partnership Company (SWPC). The privatization of the Kingdom's water sector and the increasing involvement of the private sector in pipeline development creates opportunities for the Company, including through joint ventures and partnerships, to grow into certain areas such as development, financing, engineering, procurement and construction ("**EPC**") and operation and maintenance.

In addition, HSAW Pipes are not used in the Kingdom for sour gas applications, although they are used for such in a number of countries throughout the world, including GCC countries. The Company has submitted a proposal to one of its customers to conduct a joint study of the feasibility of using HSAW Pipes for sour gas applications. Under this study, the Company will procure steel and manufacture and test HSAW Pipes according to sour gas application requirements to establish the manufacturing process. Once the proposal, including the manufacturing process, is approved by the customer, the Company will be able to enter the sour gas market, which is currently supplied by LSAW Pipe manufacturers. It should be noted that LSAW Pipe demand in the Kingdom is approximately 0.56 million tons (i.e., approximately 70% of the GCC's LSAW market of 0.7 million tons).

F. Exploring New Markets Where Feasible

The Company also seeks export opportunities where these are feasible. During the financial year ended March 31, 2016G, the Company exported ninety-one thousand, five hundred forty-two metric tons (91,542 MT) of pipes to Group Carso in North America.

Strengths and Competitive Advantages

A. Fully Integrated State-of-the Art Manufacturing Facility

The Company has fully integrated advanced manufacturing facilities located in the Second Industrial City in Dammam. These include the HSAW Plant, the DJ Plant and the Coating Plant, which enable the Company to provide its customers with complete pipe solutions.

B. Leading Production Capacity in the Kingdom with the Ability to Produce Various Types of Pipes

The Company's HSAW Plant has a nominal production capacity of three hundred seventy-five thousand metric tons (375,000 MT) per annum. The HSAW Plant is also capable of increasing its production capacity to five hundred thousand metric tons (500,000 MT) if orders received in a given year are all for the largest outside diameter and thickness that the HSAW Plant can produce, making the Company one of the largest domestic manufacturers of HSAW Pipes in the Kingdom and the GCC. Additionally, the Company's product range includes pipes with outside diameters ranging from 20 inches to 100 inches, thicknesses ranging from 6.35 mm to 25.4 mm and lengths up to 18.2 meters.

Production scale and a wide product range gives the Company the ability to fulfill large orders on its own without having to sub-contract, thus giving it an advantage in the bidding process with major customers such as SWCC and Saudi Aramco that have a preference for manufacturers with the ability to execute orders without sub-contracting.

Additionally, scale gives the Company an advantage in costs through more favorable procurement terms and management of overheads.

C. Relationships with Key Customers

The Company has a focus on business development and has strong relationships with major customers for HSAW Pipes, such as SWCC and Saudi Aramco. The Company works with SWCC and Saudi Aramco to understand their project activity and demand for pipes in terms of quantities and technical specifications (for further information about the Company's top customers for pipes, see Section 4-3-4 (A) "**Top Customers**" of this Prospectus). It plans its own operations accordingly and is, therefore, closely aligned with its key customer requirements. This has resulted in Saudi Aramco awarding a framework agreement ("**Aramco Framework Agreement**") to the Company. As a result of the Company's focus on business development and client relationships, the Company's market share of HSAW Pipes in the Kingdom increased to about 50% in 2019G.

D. Strategic Location with Expansion Potential

The Company's manufacturing facilities are located in the Second Industrial City in Dammam on land measuring two hundred twenty-three thousand square meters (223,000 sqm), providing ample room to undertake further expansions. The Company's strategic location gives it access to major customers such as Saudi Aramco, which is located approximately thirty (30) km from the Company's manufacturing facility. Additionally, the Company's location is in close proximity to Saudi Iron and Steel Company ("Hadeed"), which is also a supplier of raw materials to the Company, as well as to King Abdulaziz Port in Dammam and Jubail Commercial Port, through which major raw materials such as hot-rolled steel coils are imported. The Company's location gives easy access to customers, local suppliers and ports, which is an advantage from a logistical point of view.

E. Price Competitiveness

The Company is able to utilize its scale, logistical advantage and operational efficiency to maintain a high degree of price competitiveness. This is important to the Company as it obtains most of its purchase orders through a competitive bidding process in accordance with technical and financial criteria.

Market and Industry Overview

Global market overview

The global welded tubes market consists of three (3) products, namely, helical submerged arc-welding (HSAW) pipes, longitudinal submerged arc-welding (LSAW) pipes and electrical resistance welded (ERW) pipes. The demand for global welded pipes (excluding ERW) has decreased during the recent years from 14.3 million MT in 2015G to 11.6 million MT in 2019G, attributable to a decline in the LSAW market. This decrease is largely due to less construction of oil & gas pipelines globally (a 40% drop in oil and gas investments between 2014G and 2016G globally). On the other hand, the HSAW market has been stable, mainly supported by water infrastructure projects. The Middle East is a key region in the welded pipe market due to the KSA's high investment in pipelines. Investments in pipelines in the region are driven by the KSA's Vision 2030 initiatives in oil and gas and water pipelines, combined with rapidly growing consumption of water and gas.

Demand in the GCC in the past five years

As of 2015G, the GCC welded pipe market consists of HSAW Pipes (1.00 million metric tons) and LSAW Pipes (0.87 million metric tons). In recent years, LSAW Pipe demand has decreased to 0.74 million metric tons in 2019G (a CAGR of -4%) mainly due to lower demand from the United Arab Emirates (-70% in 2019G from an increase of about 0.3 million metric tons in 2015G) following several pipeline operations and due to the lack of new projects. Meanwhile, the HSAW Pipe market has remained stable at around 1 million metric tons, supported by large water projects in the Kingdom (such as the Ras Al-Khair-Riyadh Water Transmission System) and the competitive price advantage compared to LSAW Pipes (oil and gas industry).

Demand in the Kingdom

The GCC HSAW market has been driven mainly by the KSA water market in the last five years, representing approximately 60% of the total HSAW demand. The prominence of the KSA water market is mainly due to two factors. First, given the vast territory of the Kingdom and the lack of rivers, pipelines are required to transport water, and, second, there has been an increase in the development of desalination plants and corresponding pipelines. The high growth in water consumption is currently being addressed by developing desalination plants and pipelines to connect them to cities.

Historical Offer

Historically, HSAW Pipe capacities in GCC counties have increased by about 10%, driven by additional capacities from the Company which is believed to be the only GCC-based company with integrated offerings including coating and double-jointing. The Company became a market leader in HSAW Pipes with nearly 50% market share in 2019G. This leadership is due to several factors, including the Company's large portfolio of products (diameter range) and services (coating & double joining) and a positive customer perception.

Price evolution

Overall, prices in GCC countries remained stable during the 2015G–2019G period, based on a stable supply and demand. The slight price increase in 2016G–2018G is explained by a slight increase in HR coil price (from USD 0.34 thousand/MT in 2016G to USD 0.50 thousand/MT in 2018G). In 2019G, there was a slight reduction in price (approximately 7%). This is due to higher production capacities, mainly coming from the Company.

Summary of Risk Factors

Below is a summary of risk factors involved in investing in the Offer Shares. This summary does not contain all the information that may be important to investors. Therefore, investors who wish to subscribe for the Offer Shares must read and review this Prospectus in full. Any decision to invest in the Offer Shares should be based on consideration of this Prospectus as a whole. In particular, it is important to carefully consider the "**Important Notice**" on page (i) and Section 2 "**Risk Factors**" prior to making an investment decision with respect to the Offer Shares. Subscribers should not rely solely on this summary.

Risks Related to the Company

- Risks Related to Volatility in the Prices of Raw Materials
- Risks Related to Availability of Raw Materials and Raw Matearial Suppliers
- Risks Related to the Company's Ability to Manage Stock Purchases of Raw Materials and Spare Parts
- Risks Related to Reliance on a Key Customer
- Risks Related to Supplier Concentration
- Risk Related To Expiry or Cancellation of Custom Duty Exemption on Imported Hot-Rolled Steel Coils
- Risks Related to the Ability to Comply with Specifications and Standards of the Industries the Company Serves
- Risks Related to Reliance of the Company's Operations on a Leased Property
- Risks Related to Disruption in the Company's Manufacturing Operations
- Risks Related to Collection of Outstanding Receivables
- Risks Related to Exposure to the Oil and Gas Industry
- Risk Related to New Projects in the Kingdom
- Related to Reliance on Outside Transportation Providers
- Risks Related to Reputation and Quality of Products
- Risks Related to Product Liability and Defects
- Risks Related to Compliance with Third Party Contracts
- Risks Related to Financing
- Risks Related to Zakat and Tax
- Risks Related to Potential Litigation
- Risks Related to Reliance on the Reputation of Welspun brand
- Risks Related to Protection of Intellectual Property Rights
- Risks Related to Termination of the Shareholders Agreement
- Risks Related to Inadequacy of Insurance Coverage
- Risks Related to Reliance on Executive Management and Key Personnel
- Risks Related to Lack of Experience Managing Companies Listed on the Exchange
- Risks Related to Employee Misconduct and Errors

- Risks Related to Corporate Governance and Board Committees
- Risks Related to Related Party Transactions
- Risks Related to Reliance on Information Systems
- Risks Related to the Expansion and Growth Strategy
- Risks Related to Price Competitiveness
- Risks Related to Unexpected Capital Expenditure Requirements
- Risks Related to Changing the Company's Trade Name
- Risks Related to the Company's Plant and Equipment

Risks Related to the Market and Industry in which the Company Operates

- Risks Related to Competition
- Risks Related to Changes in Government Procurement Policies
- Risks Related to Increased Energy Prices in the Kingdom
- Risks Related to Political and Security Risks in the Middle East
- Risks Related to the Kingdom and the Global Economy
- Risks Related to Global Pipe Production Capacity
- Risks Related to the Outbreak of an Infectious Disease
- Risks Related to Changes in the Regulatory Environment
- Risks Related to Licenses, Permits and Approvals
- Risks Related to Environment, Health and Safety
- Risks Related to Value Added Tax
- Risks Related to Foreign Exchange Rates
- Risks Related to Financing Costs and Interest Rate Fluctuation
- Risks Related to Compliance with Saudization Requirements
- Risks Related to Government Fees Applicable to Non-Saudi Employees
- Risks Related to Floods, Earthquakes and Other Natural Disasters and Disruptive Acts
- Risks Related to Changes in the Calculation Mechanism for Zakat and Income Tax
- Risks Related to Seasonality

Risks Related to the Offer Shares

- Risks Related to Effective Control Post-Offering by the Selling Shareholders
- Risks Related to Absence of a Prior Market for the Shares
- Risks Related to the Sale of a Large Number of Shares on the Exchange
- Risks Related to Fluctuation in the Market Price of the Shares
- Risks Related to the Company's Ability to Distribute Dividends

Summary of Financial Information

The financial information and KPIs set forth below should be read in conjunction with the Company's audited financial statements for the financial years ended March 31, 2019G, 2020G and 2021G, which have been included in Section 19"**Financial Statements, Pro Forma Financial Information and Auditor's Report**" of this Prospectus.

Table (1-4): Summary of Financial Information and KPIs for the Financial Years Ended March 31, 2019G, 2020G and 2021G

SAR'000	2019G	2020G	2021G
Statement of profit or loss and other comprehensive income			
Revenue	707,190	1,668,864	935,506
Cost of revenue	(725,958)	(1,332,512)	(705,309)
Gross profit (loss)	**(18,768)**	**336,352**	**230,197**
General and administrative expenses	(14,789)	(12,706)	(12,857)
Selling and marketing expenses	(11,516)	(7,657)	(5,547)
Provision for credit loss	-	(3,928)	(2,498)
Other operating income, net	739	2,599	(1,616)
Operating profit (loss)	**(44,334)**	**314,660**	**207,679**
Financial charges	(28,018)	(48,110)	(32,011)
Profit (loss) before Zakat and income tax	**(72,352)**	**266,550**	**175,668**
Zakat expenses	117	(4,577)	(5,596)
Income tax expenses	2,936	(25,039)	(21,806)
Profit (loss) for the year	**(69,300)**	**236,934**	**148,266**
Other comprehensive loss			
Re-measurement of employee benefit liabilities	(1,362)	(1,273)	(509)
Profit (loss) for the year	**(70,662)**	**235,660**	**147,757**
Statement of financial position			
Total equity	**40,902**	**276,562**	**517,617**
Total non-current assets	256,805	261,144	304,227
Total current assets	571,724	887,407	514,622
Total assets	**828,529**	**1,148,550**	**818,849**
Total non-current liabilities	190,972	143,762	46,340
Total current liabilities	596,655	728,226	254,892
Total liabilities	**787,627**	**871,988**	**301,232**
Total equity and liabilities	**828,529**	**1,148,550**	**818,849**

SAR’000	2019G	2020G	2021G
Statement of cash flows			
Net cash flows from operating activities	(187,891)	(148,324)	357,387
Net cash flows from investing activities	(23,438)	(2,893)	(1,459)
Net cash flows from financing activities	168,374	204,104	(382,762)
Cash and cash equivalents at the beginning of the year	59,192	16,237	69,124
Cash and cash equivalents at the end of the year	**16,237**	**69,124**	**42,316**
Key performance indicators			
Gross profit margin (%)	(2.7 %)	20.2%	24.6%
Net profit margin (%)	(9.8 %)	14.2%	15.8%
Return on assets (%)	(8.4 %)	20.6%	18.1%
Return on equity (%)	(169.4 %)	85.7%	28.6%
Trading rate	1.0	1.2	2.0
Total assets to total liabilities	105.2%	131.7%	271.8%

Source: The Company’s audited financial statements for the financial years ended March 31, 2019G, 2020G and 2021G, and the Company’s information

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I- Definitions and Abbreviations

Actual Production	The Company's actual production of its products, which may be higher or lower than the nominal production capacity based on the volume of pipes produced.
Advisors	The Company's advisors in relation to the Offering whose names appear on pages (vi) and (vii) of this Prospectus.
American Petroleum Institute Quality Registrar (APIQR)	The American Petroleum Institute Quality Registrar for facilities.
API	The American Petroleum Institute.
API 5L	A certificate issued by API for the manufacture of steel pipes. with specific specifications including X-80 pipe manufacturing.
API Spec Q1	A certificate issued by API for the manufacture of steel pipes.
Aramco Framework Agreement	The framework agreement concluded between the Company and Saudi Aramco.
Auditor	PricewaterhouseCoopers Auditing.
Aziz Company	Aziz Company for Contracting & Industrial Investment.
Aziz Factory	Aziz European Pipes Factory Company.
Bid Form	The bid form to be used by Participating Parties to bid for the Offer Shares during the Book-Building Period. This term includes, when applicable, the appended bid form when the price range is changed.
Board or Board of Directors	The Company's Board of Directors.
Book-Building Instructions	The Instructions on Book Building and Allocation of Shares in Initial Public Offerings issued by CMA Board Resolution No. 2-94-2016 dated 15/10/1437H (corresponding to 20/07/2016G), as amended by CMA Board Resolution No. 3-102-2019 dated 18/01/1441H (corresponding to 17/09/2019G).
Bookrunner	SNB Capital.
Business day	Any day on which the Receiving Entities are open in the Kingdom (except for Fridays and Saturdays and any official holidays).
Bylaws	The Company's Bylaws approved by the General Assembly.
CAGR	The annual growth rate over a specified period of time lasting longer than one year.
Capital Market Institutions	Capital market institutions authorized by the CMA to engage in the securities business.
CGRs	The Corporate Governance Regulations issued by the CMA Board pursuant to Resolution No. 8-16-2017 dated 16/05/1438H (corresponding to 13/02/2017G), based on the Companies Law issued under Royal Decree No. M/3 dated 28/01/1437H (corresponding to 10/11/2015G), as amended by CMA Board Resolution No. 1-7-2021 dated 01/06/1442H (corresponding to 14/01/2021G).
Company	East Pipes Integrated Company for Industry
CMA	The Capital Market Authority in the Kingdom.
CML	The Capital Market Law promulgated by Royal Decree No. M/30 dated 02/06/1424H (corresponding to 31/07/2003G), as amended.
Coating Plant	The Company's pipe coating plant.
Companies	East Pipes Integrated Company for Industry and Welspun Coating.
Companies Law	The Companies Law issued under Royal Decree No. M/3 dated 28/01/1437H (corresponding to 10/11/2015G), as amended.

COVID-19	The novel coronavirus.
COVID-19 Measures	The precautionary measures taken by the Kingdom's government to limit the outbreak of COVID-19 in the Kingdom.
DFBE	Dual layer fusion bonded epoxy used for coating.
Directors	Members of the Company's Board of Directors.
DJ Plant	The Company's double-jointing plant.
Emirates International Accreditation Center (EIAC)	A Dubai government agency that grants accreditation to conformity assessment bodies inside and outside the country.
Enterprise Resource Planning System (SAP ERP)	Enterprise resource planning software that includes software in all core business departments, such as procurement, production, materials management, sales and marketing, finance and human resources. It was developed by SAP, a German company.
ERW Pipes	Electric resistance welded pipes, which are final products of the global welded pipe market sold for upstream pipeline application.
Exchange or Tadawul	The Saudi Stock Exchange (Tadawul).
Extraordinary General Assembly	An extraordinary general assembly of the Shareholders convened in accordance with the By-laws.
FBE	Single layer fusion bonded epoxy used for coating.
Financial Advisor	SNB Capital.
Financial Statements	The Company's audited financial statements for the financial years ended March 31, 2019G, March 31, 2020G and March 31, 2021G and Welspun Coating's audited financial statements for the financial years ended March 31, 2019G and March 31, 2020G and the period from April 1, 2020G to July 20, 2020G, prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed in the Kingdom and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants (SOCPA). These financial statements have been included in Section 19 "**Financial Statements, Pro Forma Financial Information and Auditor's Report**" of this Prospectus.
Financial/Fiscal Year	The financial year of the Company, starting from April 1 to March 31 of each financial year.
G	The Gregorian calendar.
GCC	The Cooperation Council for the Arab States of the Gulf.
GDP	Gross Domestic Product (GDP) is the broadest quantitative measure of a nation's total economic activity. More specifically, GDP represents the monetary value of all goods and services produced within a nation's geographic borders over a specified period of time.
General Assembly	The Extraordinary General Assembly or Ordinary General Assembly; "General Assembly" shall mean any General Assembly of the Company.
Government	The Government of the Kingdom of Saudi Arabia; the word "governmental" shall be construed accordingly.
H	The Hijri calendar.
Hot-Rolled Steel Coil	Hot-rolled steel coil, which is used as a raw material to produce welding pipes.
HSAW Pipes	Helical submerged arc-welding pipes, which are final products that the Company also manufactures and sells to its customers for intermediate water, oil and gas applications.
HSAW Plant	The Company's helical submerged arc welded HSAW Pipe plant.
IFR	The Investment Funds Regulations issued by CMA Board Resolution No. 1-219-2006 dated 03/12/1427H (corresponding to 24/12/2006G), in accordance with the Capital Market Law promulgated by Royal Decree No. M/30 dated 02/06/1424H, as amended by CMA Board Resolution No. 2-22- 2021 dated 12/07/1442H (corresponding to 24/02/2021G).
IFRS	The International Financial Reporting Standards (IFRS) endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA.

IKTVA	The in-Kingdom Total Value Add Program (IKTVA), which is a Saudi Aramco initiative.
Retail Investors	Saudi Arabian natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi, who can subscribe under their names for her own benefit, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, in addition to any non-Saudi natural person who is resident in the Kingdom or any GCC natural investors, provided they have a bank account with a Receiving Entity and are allowed to open an investment account.
Intertek Certifications Limited	Intertek Certifications Limited, an industrial product, process and system certification service in the United Kingdom.
ISO 14001:2015	A certificate issued by the International Organization for Standardization for achieving the international standard that specifies the requirements for an environmental management system.
ISO 45001:2018	A certificate issued by the International Organization for Standardization for achieving the international standard that specifies the requirements for occupational health and safety management systems.
ISO 9001:2015	A certificate issued by the International Organization for Standardization for achieving the international standard that specifies the requirements for a quality management system.
ISO/IEC 17025:2017	A certificate issued by the International Organization for Standardization for achieving the international standard that specifies the requirements for the competence, impartiality and consistent operation of laboratories.
Kingdom or Saudi Arabia	The Kingdom of Saudi Arabia.
Labor Law	The Saudi Labor Law promulgated by Royal Decree No. M/51 dated 23/08/1426H (corresponding to 27/09/2005G).
Lead Manager	SNB Capital.
Legal Advisor	Law Office of Salman M. Al-Sudairi.
Listing	Admission to listing of the Company's shares on the Exchange in accordance with the Listing Rules.
Listing Rules	The Listing Rules approved by the CMA Board pursuant to its Resolution No. 3123-2017, dated 09/04/1439H (corresponding to 27/12/2017G), as amended by CMA Board Resolution No. 1-22-2021 dated 12/07/1442H (corresponding to 24/02/2021G).
Lloyd's Register	A United Kingdom organization engaged in research and education in science and engineering.
Lock-up Period	The period during which the Substantial Shareholders shall be subject to a Lock-up Period of six (6) months from the date on which trading of the Shares commences on the Exchange. During such period, the Substantial Shareholders may not dispose of any of their shares.
LSAW Pipes	Longitudinal submerged arc-welding pipes, which are final products in the global welded pipe market sold for transitional oil and gas applications.
Market Consultant	Roland Berger Middle East WLL.
Market Study	A market study report prepared by the Market Consultant.
MHRSD	The Ministry of Human Resources and Social Development in the Kingdom.
Ministry of Commerce	The Ministry of Commerce in the Kingdom.
Ministry of Industry and Mineral Resources	The Ministry of Industry and Mineral Resources in the Kingdom.
Ministry of Investment	The Ministry of Investment in the Kingdom.
Modon	The Saudi Authority for Industrial Cities and Technology Zones (Modon).
Net Offering Proceeds	The Offering proceeds, after deduction of the expenses.

Nominal Production Capacity	The estimated production capacity of each of the Company's plants. Nominal production capacity is based on a pipe size of 48" OD X 11 mm for the HSAW Plant, a pipe size of 48" OD X 14.28 mm for the DJ Plant, a pipe size of 2" to 120" inches and a length of 10m to 26m for the Coating Plant.
ODX	Outside diameter.
Offer Price	Eighty Saudi Riyals (SAR 80) per share.
Offer Shares	Six million, three hundred thousand (6,300,000) ordinary shares, representing 30% of the Company's capital.
Offering	Offering of six million, three hundred thousand (6,300,000) ordinary shares, representing 30% of the Company's capital for public subscription in the Saudi Stock Exchange.
Offering Period	The period will commence on Monday 21/06/1443H (corresponding to 24/01/2022G), and continue for a period of two (2) days up to and including the closing day on Tuesday 22/06/1443H (corresponding to 25/01/2022G).
Official Gazette	Um Al Qura, the official gazette of the Kingdom of Saudi Arabia.
Ordinary General Assembly	An ordinary general assembly of the Shareholders convened in accordance with the Bylaws.
Participating Parties	The parties are entitled to participate in the book-building process, namely: a. public and private funds that invest in securities listed on the Exchange, if permissible according to the terms and conditions of such funds, in compliance with the provisions and restrictions set forth in the Investment Fund Regulations and the Book-Building Instructions; b. Capital Market Institutions authorized by the CMA to deal in securities as principals, in compliance with the provisions set forth in the Prudential Rules when submitting the Bid Form; c. clients of Capital Market Institutions authorized by the CMA to conduct management activities in accordance with the provisions and restrictions set forth in the Book-Building Instructions; and d. legal persons allowed to open an investment account in the Kingdom and an account with the Depository Center with the exception of non-resident foreign investors, other than Qualified Foreign Investors in accordance with the QFI Rules, in compliance with CMA Circular No. 6/05158, dated 11/08/1435H (corresponding to 09/06/2014G), issued pursuant to CMA Board Resolution No. 9-28-2014, dated 20/07/1435H (corresponding to 19/05/2014G); e. Government entities and any supranational authority recognized by the CMA, the Exchange or any other exchange recognized by the CMA or the Depository Center; f. Government-owned companies, directly or through a private portfolio manager; g. GCC companies, and GCC funds, if permissible according to the terms and conditions of such funds; h. Qualified Foreign Financial Institutions; and i. the ultimate beneficiary of legal personality in a swap agreement with a Capital Market Institution under the terms and conditions of the swap agreements.
Pro Forma Financial Information	The Company's pro forma financial information for the year ended March 31, 2021G was prepared by the Company's Management in accordance with the Company's accounting policies (in addition to the pro forma comparative financial information for the years ended March 31, 2019G and March 31, 2020G), and verified by the Auditor in accordance with the International Standard on Assurance Engagements No. 3420 (ISAE 3420). This pro forma financial information is included in Section 19 "**Financial Statements, Pro Forma Financial Information and Auditor's Report**" of this Prospectus.
Prospectus	This Prospectus which was prepared by the Company in relation to the Offering.

Public	Any person other than those listed below: 1. affiliates of the Issuer; 2. Substantial Shareholders of the Issuer; 3. Directors and Senior Executives of the Issuer; 4. directors and senior executives of the affiliates of the Issuer; 5. directors and senior executives of the Substantial Shareholders of the Issuer; 6. any relatives of the persons referred to in 1, 2, 3, 4, or 5 above; 7. any company controlled by any person referred to in 1, 2, 3, 4, 5 or 6 above; and 8. persons acting in concert and, collectively, holding 5% or more of the class of shares to be listed.
QFI	A qualified foreign investor in accordance with the QFI Rules. A Qualification Application shall be submitted to the Capital Market Institution to evaluate and approve the application in accordance with the QFI Rules.
QFI Rules	The Rules for Qualified Foreign Financial Institutions Investment in Listed Securities passed under CMA Board Resolution No. 1-42-2015 dated 15/07/1437H (corresponding to 04/05/2015G), as amended by CMA Board Resolution No. 3-65-2019 dated 14/10/1440G (corresponding to 17/06/2019G).
Receiving Entities	The Receiving Entities whose names appear on page (viii) and l of this Prospectus.
Related Party	In this Prospectus and in accordance with the Glossary of Defined Terms Used in the Regulations and Rules of the Authority issued by the CMA Board under Resolution No. 4-11-2004 dated 20/08/1425H (corresponding to 04/10/2004G), as amended by CMA Board Resolution No. 1-104-2019 dated 01/02/1441H (corresponding to 30/09/2019G), the term "Related Party" or "Related Parties" refers to: a. affiliates of the Issuer; b. Substantial Shareholders of the Issuer; c. Directors and Senior Executives of the Issuer; d. directors and senior executives of the affiliates of the Issuer; e. directors and senior executives of the Substantial Shareholders of the Issuer; f. any relatives of the persons referred to in a, b, c, d, and e above; or g. any company controlled by any person referred to in a, b, c, d, e, and f above. For the purposes of paragraph (g), "control" shall mean the ability to influence the actions or decisions of another person, directly or indirectly, alone or with a relative or affiliate, through the following: (a) holding 30% or more of the voting equity in a company; (b) having the right to appoint 30% or more of the members of the administrative staff. The word "controlling" shall be construed accordingly.
Relatives	Husband, wife and minor children. For the purpose of the CGRs: • parents, grandparents, and ascendants thereof. • children, grandchildren, and descendants thereof. • full brothers and sisters, paternal half-brothers and sisters, and maternal half-brothers and sisters. • husbands and wives.
Rules of Listed Companies	The Regulatory Rules and Procedures issued pursuant to the Companies Law relating to listed joint stock companies issued under CMA Board Resolution No. 8-127-2016 dated 16/01/1438H (corresponding to 17/10/2016G), as amended pursuant to CMA Board Resolution No. 3-57-2019 dated 15/09/1440H (corresponding to 20/05/2019G).
Rules on the Offer of Securities and Continuing Obligations	The Rules on the Offer of Securities and Continuing Obligations issued by the CMA pursuant to Resolution No. 3-123- 2017 dated 09/04/1439H (corresponding to 27/12/2017G) in accordance with the Capital Market Law passed by Royal Decree No. M/30 dated 02/06/1424H (corresponding to 31/07/2003G), as amended by CMA Board Resolution No. 1-7-2021 dated 01/06/1442H (corresponding to 14/01/2021G).
SAR or Saudi Riyal	The Saudi Arabian Riyal, the official currency of the Kingdom.

Saudi Aramco	The Saudi Arabian Oil Company (Aramco).
Secretary	The Secretary of the Board of Directors.
Selling Shareholders	The Selling Shareholders, as at the date of this Prospectus, are Welspun Holding, Aziz Company, Vision Invest, and Mohawarean.
Senior Executives or Executive Management	Any natural person assigned - individually or jointly with other persons - by the Company's Board or by a Director to oversee and manage tasks, and directly reports to the Board, a Director or the Chief Executive Officer.
Shareholders	Any owner of shares in the Company.
Shareholders' Agreement	The Shareholders' agreement concluded between the Selling Shareholders on 30/05/1431H (corresponding to 05/14/2010G14/05/2010G), as amended on 09/05/1440H (corresponding to 1/15/2019G15/01/2019G) and 06/02/1442H (corresponding to 9/23/2020G23/09/2020G).
Shares	Twenty-one million (21,000,000) fully-paid ordinary shares in the Company with a nominal value of ten Saudi Riyals (SAR 10) per share.
SOCPA	The Saudi Organization for Certified Public Accountants.
Subscribers or Investors	These include the Participating Parties and Retail Investors.
Subscription Application Form	The Subscription Application Form that Retail Investors and Participating Parties (as applicable) must fill out to subscribe to the Offer Shares.
Substantial Shareholders	Any person who owns 5% or more of the Company's shares.
SWCC	The Saline Water Conversion Corporation in the Kingdom of Saudi Arabia.
Underwriter	SNB Capital.
Underwriting Agreement	The underwriting agreement to be entered into between the Company, the Selling Shareholders and the Underwriter in connection with the Offering.
Vision Invest	Vision International Investment Company.
Welspun Coating	Welspun Middle East Pipe Lining and Coating Company.
Welspun Holding	Welspun Mauritius Holdings Limited.
ZATCA	The Zakat, Tax and Customs Authority in the Kingdom.
3LPE	Three (3) outer layers of polyethylene used for pipe coating.
3LPP	3-layer polypropylene used for pipe coating.

2- Risk Factors

Prospective Investors should carefully consider all information contained in this Prospectus, along with the following risk factors, prior to making a decision to invest in the Offer Shares. The risks described below are those that the Company currently believes may affect the Company and any investment in the Offer Shares. The risks listed below do not necessarily constitute all risks that might affect the Company or that are associated with an investment in the Offer Shares. There may be additional risks and uncertainties that the Company is currently not aware of or that the Directors currently believe are immaterial. The occurrence of any such risks and uncertainties may materially and adversely affect the Company's business, financial condition, results of operations and future prospects and as a result of such risks, the price of the Shares may decline, the Company's ability to pay dividends may be impaired, and investors may lose all, or part of, their investment.

The Directors also declare that, to the best of their knowledge and belief, there are no other material risks as at the date of this Prospectus, other than those mentioned in this section, that may affect Investors' decisions to invest in the Offer Shares.

An investment in the Offer Shares is only suitable for those Investors who are able to evaluate the risks of such investment and who have sufficient resources to bear any loss resulting from such investment. Prospective Investors who have doubts about which actions to take should seek the advice of a financial advisor duly licensed by the CMA prior to investing in the Offer Shares.

The risks described below are not presented in any assumed order of priority and, thus, do not reflect their expected impact on the Company.

2-1 Risks Related to the Company

2-1-1 Risks Related to Volatility in Raw Material Prices

Hot-rolled steel coils are the primary raw material used in the manufacture of the Company's products. Hot-rolled steel coils represent the largest component of the cost of manufacturing. The Company prices its bids for projects on the basis of estimated Hot-Rolled Steel Coil prices. Hot-Rolled Steel Coils represented 97%, 84% and 79% of the total cost of sales in the fiscal years ended March 31, 2019G, 2020G and 2021G. Orders for projects awarded to the Company are completed over a period of time which can exceed more than twelve (12) months. During this period, Hot-Rolled Steel Coil prices may fluctuate, which can impact the Company's profitability. The average Hot-Rolled Steel Coil price per metric tons was two thousand, seventy-two Saudi Riyals (SAR 2,072), one thousand, eight hundred seven Saudi Riyals (SAR 1,807) and two thousand, forty Saudi Riyals (SAR 2,040) in the financial years ended March 31, 2019G, 2020G and 2021G, respectively.

Fluctuation in Hot-Rolled Steel Coil prices is closely linked to steel price volatility. Steel prices are highly volatile and cyclical in nature. Numerous factors, most of which are beyond the Company's control, drive the cycles of the steel industry and influence steel prices. Such factors include general economic conditions, worldwide production capacity, capacity-utilization rates, downturn in purchase by traditional bulk steel end users or their customers, slowdowns in basic manufacturing industries, import duties and other trade restrictions and currency exchange rates. The price of steel may increase in the future, and there is no assurance that the Company will be able to absorb the cost increase, which will adversely affect its margins and profits. Increased steel prices may also cause potential customers to defer new projects, which would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-1-2 Risks Related to Availability of Raw Materials and Raw Material Suppliers

The Company's operations depend on the availability of raw materials, including Hot-Rolled Steel Coils, refractory materials, wires, epoxy powder (an adhesive), HDPE and polypropylene layers (used to coat pipes). The Company procures raw materials via purchase orders in response to projectbyproject requests and does not enter into long-term supply contracts. Hot-Rolled Steel Coils are locally sourced by the Company from Saudi Iron and Steel Company (Hadeed) in the Kingdom or imported from international sources, including but not limited to suppliers in the United Arab Emirates, Korea, China and Russia, depending on the required specifications. To procure its raw materials, the Company typically depends on five (5) main suppliers and other suppliers, including in the Kingdom, the United Arab Emirates, Korea and China. Purchases from the five main suppliers represented 98.7%, 96.8% and 94.7% of the total purchases, and Hot-Rolled Steel Coils represented 98.6%, 98.8% and 90% of the total raw materials in the financial years ended March 31, 2019G, 2020G and 2021G, respectively. The Company's operations will face disruption if Hot-Rolled Steel Coils or other raw materials used by the Company become unavailable for any reason, whether temporarily or for prolonged periods of time. Hot-Rolled Steel Coils or other raw materials used by the Company may become unavailable, for example, due to increased demand by other manufacturing and construction companies, regulatory restrictions, wars or natural disasters or other force majeure events. If HotRolled Steel Coils or other raw materials used by the Company become unavailable for any reason, this would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

In addition, the Company purchases raw materials from approved local and international vendors which go through an extensive evaluation prior to being approved as suppliers. If the Company's suppliers are unable to provide its needs for raw materials in sufficient quantities for any reason, including any disruption in their supply chain or manufacturing activities, or if one or more of the Company's significant suppliers is lost, its ability to obtain its basic raw materials at competitive rates may be adversely affected. In such an event, the cost of purchasing Hot-Rolled Steel Coils and other raw materials from alternate sources may be higher, and the Company may face delay in timely delivery of raw materials, which, therefore, would have an effect on the Company's operating margins and its results of operations which, in turn, would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-1-3 Risks Related to the Company's Ability to Manage Stock Purchases of Raw Materials and Spare Parts

The Company maintains a stock of raw materials sufficient to meet its needs for forty-five (45) days in accordance with its manufacturing forecasts and plans. If there is an excess or shortage of stock at any time that conflicts with the Company's plans, this will adversely affect the Company's business. The shortage of raw materials and spare parts will affect the Company's productivity. The Company may not be able to accept an unplanned opportunity and enter into a profitable supply contract due to the shortage of stock. An error in estimating needs may also lead to the provision of insufficient raw materials for the Company's stock to meet orders submitted to the Company. A shortage of available spare parts in the Company's stock to address manufacturing malfunctions and any situation that requires maintenance can affect the Company's ability to maintain its business continuity and fulfill its contracts on time. Accordingly, the Company may delay manufacturing and hence delivery to customers due to a shortage in the stock of raw materials or spare parts, which may cause the Company to incur late penalties and harm the Company's customer satisfaction level. Even if the Company is able to find raw materials and spare parts, the Company may not be able to transport them as quickly as required, as it relies on third party service providers to transport raw materials and spare parts. Such third party service providers may not be able to meet the Company's transport orders in a short time and as quickly as required. In addition, if the Company locates raw materials and spare parts and a transport service provider is able to deliver the raw materials and spare parts as quickly as required, the Company may incur high operating expenses to transport service providers to respond to its order in a short time.

If the Company has a surplus stock of raw materials, this may cause the Company to incur material losses and miss out on material savings. The Company may submit its financial and technical proposals for any project and submit such financial proposal based on the price of raw materials at that time. When submitting its bids, the Company procures the required raw materials for the project that it may obtain. If the Company's bids are accepted, the price of the raw materials procured by the Company may fall, and the Company may miss out on better purchase prices. In addition, the prices of raw materials may increase if they remain in the Company's stock for a period of six (6) to twelve (12) months. The Company's bids may be accepted during this period and the Company will have sold the raw materials at a price lower than their current prices based on those provided in their bids at the time of bidding.

Total inventory was SAR 196.2 million, SAR 175.8 million and SAR 114.5 million in the financial years ended March 31, 2019G, 2020G and 2021G, respectively. The Company allocated SAR 2.1 million, SAR 5.8 million and SAR 7.6 million as provisions for inventory in said periods, respectively.

In the event that the Company's business is suspended due to damage to raw materials, spare parts, final products, or warehouses, the disruption of storage systems, or low storage capacity, this will cause the Company to incur material losses. In the event that the Company fails to achieve the operating capacity of its plants due to damage to raw materials and spare parts, this will have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-1-4 Risks Related to Reliance on a Key Customer

The Company mainly relies on selling its products to one key customer, namely the SWCC, the value of which amounted to SAR 584.2 million, SAR 1,419.4 million, and SAR 813.2 million, accounting for 82.5%, 85.1%, and 91.3% of the Company's revenue in the financial years ended March 31, 2019G, 2020G and 2021G, respectively. The Company may not be able to maintain its relationship with SWCC for a number of reasons, including, but not limited to, its inability to comply with the terms of its current agreements with SWCC, termination of the current agreements with SWCC or its inability to win new projects with SWCC due to heightened competition with other bidders (for more information about the existing agreements with SWCC, please refer to Section 12-4-1"**Customer Agreements**" of this Prospectus). The Company's inability to maintain its relationship with SWCC for any reason will adversely affect the Company's results of operations, which, in turn, would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-1-5 Risks Related to Supplier Concentration

The Company's purchases are made from third party suppliers. The Company's top three suppliers collectively accounted for 93.5%, 85.3% and 96.0% or SAR 551.7 million, SAR 1,173.4 million and SAR 773.4 million of the Company's total purchases for the financial year ended March 31, 2021G, 2020G, and 2019G, respectively. Saudi Iron and Steel Company accounted for 25.6%, 32.3% and 59.8% of the Company's total purchases as at March 31, 2021G, 2020G and 2019G, respectively. Golden Source Steel Company accounted for 63.2%, 37.9% and 26.3% of the Company's total purchases as at March 31, 2021G, 2020G and 2019G, respectively. POSCO International provided 4.7%, 15.1% and 0% of the Company's total purchases as at March 31, 2021G, 2020G and 2019G, respectively (for more information about the Company's suppliers, please refer to Section 4-8 "**Suppliers**" of this Prospectus).

If the Company loses these suppliers or if they are unable to supply their products to the Company, the Company may not be able to find alternative suppliers or enter into contracts with them in a timely manner or on appropriate terms, and the Company's operations may be disrupted. As a result, the Company's ability to provide and deliver products to its customers will be materially and adversely affected, which would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-1-6 Risks Related to Expiry or Repeal of Custom Duty Exemption on Imported Hot-Rolled Steel Coils

The Company benefits from an exemption of custom duty on imported Hot-Rolled Steel Coils of specifications that are not available from local suppliers in the Kingdom. This custom duty exemption is available to all importers of such Hot-Rolled Steel Coils and is issued by the Ministry of Industry and Mineral Resources as needed for each project. The Company imported Hot-Rolled Steel Coils with a value of SAR 298.3 million, SAR 725.7 million and SAR 395.1 million in the financial years ended March 31, 2019G, 2020G and 2021G, respectively. If the Company is unable to obtain such custom duty exemption in the future for any reason, the Company's cost of procuring raw materials will increase, which may impact its profitability margins and would, in turn, have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-1-7 Risks Related to Ability to Comply with Specifications and Standards of the Industries the Company Serves

The Company's business is significantly dependent on projects in the water and oil and gas industries because they are the industries in which the Company's major customers operate, such as SWCC and Saudi Aramco. Thus, the Company is required to adhere to the stringent regulatory and contractual specifications and standards in these industries. These include obtaining and maintaining quality certifications and accreditations from independent certification entities that enable the Company to be eligible to participate in these projects (for further information regarding the Company's certifications and accreditation, please refer to Section 4-3-6 (B) "**Quality Certifications**" of this Prospectus). Failure to adhere with such requirements or changes thereto in a timely manner, or at all, would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-1-8 Risks Related to Reliance of the Company's Operations on a Leased Property

The Company's manufacturing plants and warehouse are located in the Second Industrial City in Dammam, and the properties on which they are based are leased from the Saudi Authority for Industrial Cities and Technology Zones ("**Modon**") (for further information regarding the Company's manufacturing plants and warehouse, please refer to Section 4-2 "**Overview of the Company's Business**" of this Prospectus). Modon may automatically terminate leases concluded with the Company without consulting the Company if the latter does not pay the amounts due by it thirty (30) days after they become due, or if the Company violates a term of the contract or declares bankruptcy. The term of the lease for such properties is limited; it may vary between nineteen (19) and twenty-four (24) years (for more information regarding lease agreements entered into by the Company, please refer to Section 12-6-2 "**Real Estate Leased by the Company**" of this Prospectus). If Modon wishes to terminate the leases prior to the expiry of their term or if it decides not to renew the leases at the expiry of their term, the Company may have to relocate its manufacturing plants and warehouse to another location. The Company may incur significant and/or unexpected capital expenditures, or may not be able to find a suitable property in a timely manner, or at all, which would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

In addition, the terms and conditions of the Company's manufacturing plants' leases are subject to change at the sole discretion of Modon during their term or at renewal. In accordance with the terms and conditions of Modon's leases, Modon must be notified of any production interruption, provided that such interruption not exceed three (3) months from the date of the actual interruption, and the Company must start production with the capacity and commercial quantities stated in the commercial registration certificate and industrial license within the first two (2) years of the term of the relevant lease agreement. In addition, the Company may not conduct any activities other than those described in the commercial registration certificate and industrial license. The Company shall notify Modon of its desire to add or change any of the activities described in the commercial registration certificate or industrial license. In addition, the Company may not use any of the vacant spaces for purposes not described in the rental plans approved by the Company and Modon, such as using those vacant spaces for storage purposes. The Company also undertakes to dispose all residues outside Modon, fix any damage caused to Modon's facilities, and compensate it for such damage. Modon also requires that the Company insure the leased property and obtain Modon's prior written approval to procure an insurance policy.

Therefore, if Modon changes the rent amount or any of the terms and conditions of the leases during their term or at renewal, the Company may incur additional and unexpected costs, which would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

It should be noted that as at the date of this Prospectus, the Company has an expired lease with Majd Real Estate Development Co. Ltd. for a land with a surafce area of six hundred thousand (600,000) square meters in the Second Industrial City in Dammam. The Company is seeking to renew such lease. However, if the Company fails to renew such lease or any other lease for any reason, the Company will have to find other sites that may be higher in cost than the cost of the current sites or that may impose terms are less favorable than the current terms. As a result, the Company may incur additional capital expenditures and additional operating costs, which will have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-1-9 Risks Related to Disruption in the Company's Manufacturing Operations

The Company relies on its manufacturing plants for its production activities. The Company's manufacturing plants are subject to operating risks, such as unexpected breakdowns or failure of equipment, industrial accidents, fires,power or water outages. Any material disruption occurring at the Company's manufacturing plants, including as a result of partial or complete power or water outages, fire or any unexpected mechanical failure of equipment, may result in temporary or prolonged suspension of the Company's manufacturing operations or reduction in its production capacity, which would affect the Company's ability to meet its contractual obligations with its customers. The occurrence of any of such events would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-1-10 Risks Related to Collection of Outstanding Receivables

The Company's total receivables amounted to SAR 263.8 million, SAR 548.8 million and SAR 323.9 million in the financial years ended March 31, 2019G, 2020G and 2021G, respectively, of which SAR 244.9 million, SAR 531.5 million and SAR 238 million are due from SWCC representing 92.8%, 96.8% and 73.5% of total receivables in the financial years ended March 31, 2019G, 2020G and 2021G, respectively. The expected credit loss provision was SAR nil, SAR 3.9 million and SAR 6.7 million in the financial years ended March 31, 2019G, 2020G and 2021G, respectively (for further information on receivables and age concentration by client, see Section 6-4-1 "**Summary of the Company's Financial Information**" of this Prospectus). The payment period granted to key customers varies from forty-five (45) days to ninety (90) days. Some of the Company's customers, including its key customers, such as SWCC, may face financial and operational challenges due to economic downturns, market conditions or other customer-specific factors. A material decline in the current financial position of any of the Company's customers, including its key customers, may lead to a default by such customer on its obligations to the Company, insolvency or even bankruptcy, which in turn, would have an adverse effect on the Company in its ability to collect all outstanding accounts receivables.

In addition, the Company faced a delay in collecting receivables from its customers in 2021G compared to 2020G. The average days of receivable collection was 131 days, 113 days and 121 days as of March 31, 2019G, 2020G and 2021G, respectively. The delay in collecting receivables led to an increase in average working capital as a percentage of income from 29.4% as of March 31, 2020G to 36.0% as of March 31, 2021G. The Company may also face such delays in the future, and the Company's customers may also default on their obligations to the Company for other reasons, such as disagreement with the Company or lack of satisfaction with the quality or quantity of the products supplied by the Company. The Company's inability to collect its outstanding receivables from any of its customers, in a timely manner or at all, for any reason would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-1-11 Risks Related to Exposure to the Oil and Gas Industry

The Company's main products are used for the transportation of oil and gas, and, therefore, the Company is exposed to risks related to the oil and gas industry, such as the level of exploration activities and transportation of oil and gas in the Kingdom, which is dependent on the prices of oil and gas. Oil and gas prices are affected by various factors, including, among other things, global economic activity, changes in demand and supply, exploration advancements and costs, political environment and governmental policies. Any decrease in demand for oil and gas may result in reduced sales of the Company's products, which would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-1-12 Risk Related to New Projects in the Kingdom

In recent years, the Kingdom has taken initiatives to bolster its infrastructure, including those through its Vision 2030 Program. These initiatives include new housing schemes for the Kingdom's population and the establishment of mega projects. These initiatives are financed either by the government directly or through public-private partnerships. These initiatives drive demand for water projects and thus for water transmission lines. The Company produces "HSAW" pipes which are required for such water transmission lines. If there is a slowdown in the implementation of these programs or projects due to policy changes or availability of financing, this will impact the future demand for HSAW Pipes, which would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

It should also be noted that the company's key customers, particularly Saline Water Conversion Corporation and Saudi Aramco, delayed the launch of new projects and delayed the awarding of contracts previously tendered until the date of issuing this Prospectus, which negatively affected the volume of new orders during 2021. (For more information, see Section 4-2-5 "Future Outlook" of this Prospectus, which in turn will negatively affect the Company's revenues and profitability for the fiscal year ended March 31, 2022.

2-1-13 Risks Related to Reliance on Outside Transportation Providers

The Company is dependent on outside transportation providers for the supply of raw materials, the transport of pipes inside it plants and warehouses and, in certain instances, for the delivery of products to customers (for further information regarding agreements with third-party transportation providers, please refer to Section 12-4-2 "**Transport Agreements**" of this Prospectus). Raw materials and products may be lost or damaged in transit for various reasons, including occurrence of accidents or natural disasters. It should be noted that the Company does not bear the risks related to damage to products during transportation by third party transport service providers under the terms of the agreements concluded with them, nor does it bear the consequences and material damage for the same. However, this may cause a delay in the Company's production and the customer's benefit from such products. There is no guarantee that third party transport service providers will comply with the terms of the agreements regarding their liability for damage to products during transportation, which may cause the Company to be involved in legal disputes that lead to financial expenses and the loss of valuable time. Even if the products are not damaged, there is no guarantee that the delivery of raw materials and products will not be delayed, freight costs will not increase, or third-party transport service providers will be available to transport the Company's products or raw materials at the required speed or at all. In addition, the Company may not able to renew agreements with outside transportation providers or find replacement providers at reasonable costs or at all, which would affect its ability to complete its works and deliver its products to its customers in a timely manner. The occurrence of any of the above would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-1-14 Risks Related to Reputation and Quality of Products

The Company relies, in selling its products, on its reputation in the market. The Company's reputation is potentially susceptible to material damage by certain events, such as disputes with customers, internal control deficiencies, delivery failures or compliance violations. Similarly, its reputation may be damaged by actions or statements of current or former customers, employees, competitors, vendors, adversaries in legal proceedings, government regulators, and members of the investment community or the media. There is a risk that negative actions or statements about the Company may adversely affect its business. In addition, the Company's reputation depends on its ability to maintain the quality of its products, which is required for the Company to maintain its current customers and attract new customers. The Company's inability to maintain the quality of its products at an acceptable level would affect its reputation among its customers. Damage to the Company's reputation may be difficult, expensive and time-consuming to repair or may make potential or existing customers reluctant to select the Company for new projects, resulting in a loss of business. Damages to the Company's reputation may also reduce the value and effectiveness of the Company's brand name and may reduce investor confidence in it, which would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-1-15 Risks Related to Product Liability and Defects

The Company is subject to risks associated with product warranty, product recall and product liability costs due to manufacturing defects. Any defects in the Company's products may require the Company to undertake product recalls and expend considerable resources to correct such defects, which may, in turn, affect demand for the Company's products and its reputation. The percentage of manufacturing defects was 0.23%, 0.17% and 0.12% for pipe manufacturing and 0.33%, 0.20% and 0.11% for pipe coating as of March 31, 2019G, 2020G and 2021G, respectively. In addition, the Company's management may be diverted away from its business by the need to defend any warranty claims, which would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-1-16 Risks Related to Compliance with Third Party Contracts

The Company entered into several material agreements for its business, including transport agreements and customer supply agreements. Such contracts include terms setting out the obligations of each of the parties to the agreement. The Company is required to carry out works for customers within a specific period, and any failure to comply with such periods may result in consequences, including the termination of the agreement. For example, the agreements concluded with SWCC stipulate that SWCC shall have the right to terminate the agreement if the Company does not comply with the terms of the agreement or delays performing its obligations (for further information about material agreements and customer agreements, please see Section 12-4 "**Material Agreements**" and Section 12-4-1 "**Customer Agreements**" of this Prospectus). There can be no assurance that the Company will not breach the contractual terms under its agreements and contracts. The Company's breach of the contractual terms of its contracts with third parties will have a material adverse effect on the 'its business, financial condition, results of operations and future prospects.

2-1-17 Risks Related to Financing

A. Current Financing

The Company obtained financing from Alinma Bank and National Commercial Bank (NCB) for a total amount of one billion, six hundred fifty million, one hundred seventy thousand, four hundred fiftythree Saudi Riyals and seventy-four halalas (SAR 1,650,170,453.74) as of the date of this Prospectus under financing agreements that have expired and which the Company is currently renewing (for further information regarding the Company's current financing arrangements, please refer to Section 12-4-3 "**Financing Agreements**" of this Prospectus). The percentage of the Company's debt represents 48.5%, 53.4% and 16.3% of the Company's total assets as of March 31, 2019G, 2020G and 2021G, respectively. The Company's liquidity ratio was 1.0, 1.2 and 2.0 as of March 31, 2019G, 2020G and 2021G, respectively. Pursuant to such financing arrangements, lenders may terminate or cancel the financing at their own discretion for any reason and without the Company's consent. The termination or cancellation by any lender of any financing extended to the Company may accelerate payment of all outstanding amounts thereunder, which would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

In addition, financing agreements entered into by the Company include some covenants and restrictions that limit the Company's ability to participate in certain kinds of transactions, incur additional debt, or distribute dividends to its shareholders. For example, the Company's financing arrangements with Alinma Bank and NCB include dividend distribution restrictions, under which the Company does not have the right to distribute dividends before obtaining their prior written consent. In addition, the Company has previously breached some of the financial covenants under its financing arrangements with SIDF and SABB. The Company may not be able to comply with such covenants and restrictions, and any breach thereof, which are not otherwise waived by the Company's lenders. Such breaches committed by the Company may result in acceleration of payment of all outstanding amounts under such financings, which would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

B. Future Financing

In the future, the Company may need to obtain financing from commercial banks, government lenders or other financiers to cover its working capital requirements or implement future growth plans. The Company may not be able to obtain such financing at all or at reasonable terms for any reason, including, for example, restrictions under any existing financing or lenders' perception of the Company or the Company's future results of operations, financial condition and cash flows. Borrowing at variable interest rates may also make the Company vulnerable to increases in interest rates (for more information about risks associated with interest rates, please refer to Section 2-2-13 "**Risks Related to Financing Costs and Interest Rate Fluctuation**" of this Prospectus), and the Company may not guarantee that it will be able to obtain such financings at reasonable terms or at all when necessary. As a result, it may not be able to take advantage of business opportunities, such as acquisition opportunities, or to react to changes in market or industry conditions. The occurrence of any of the above would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

C. Directors' Personal Guarantees

The Company entered into a financing agreement with Alinma Bank with a financing value of one billion, one hundred twenty million, one hundred thousand Saudi Riyals (SAR 1,120,100,000). Director Saleh Mohammed Hamad Al-Hammadi provided a payment guarantee of 28.50% of the facilities, and Director Mohammed bin Abdulrahman bin Abdullah Al-Othman provided a payment guarantee of 4.99% of the facilities. In the event that any of the Company's Shareholders do not agree to provide personal guarantees in the future to obtain financing, banks may require additional guarantees, and the Company may not be able to provide them without incurring further financing costs or at all, and banks may refuse to provide financing on favorable terms or at all. This would have a material adverse effect on the 'Company's business, financial condition, results of operations and future prospects (for further information about such guarantees, please refer to Section 12-4-3 "**Financing Agreements**" of this Prospectus).

2-1-18 Risks Related to Zakat and Tax

The Company is subject to Zakat and tax requirements in the Kingdom. Any increase in Zakat entitlements or tax requirements applicable to the Company will adversely affect its profitability. In addition, the Company has submitted Zakat and tax returns for the financial years up to 2021G and paid Zakat and tax dues on their due date. On 03/08/1442H (corresponding to 17/03/2021G), the Company received inquiries from ZATCA about the financial statements for the years 2016G-2019G, and the Company responded to such inquiries within the specified period. On 09/09/1442H (corresponding to 21/04/2021G), the Company received an amendment letter (due to an examination case) from ZATCA, under which ZATCA required the Company to pay the differences for the period from 04/01/2015G to 31/03/2016G amounting to SAR 4,645,061. On 3/11/1442H (corresponding to 13/06/2021G), the Company objected to the amendment letter and the required amount. The objection was accepted by ZATCA on 10/01/1443H (corresponding to 18/08/2021G).

The Company also received final certificates from ZATCA for all financial years up to the financial year ended March 31, 2021G. The Company has not obtained the Zakat and tax assessment from ZATCA for the financial years 2011G-2015G and the financial years 2017G-2021G as at the date of this Prospectus. ZATCA may reconsider any previous year and challenge the submitted returns or request additional Zakat or tax payments. Any difference in ZATCA's assessment of the Zakat and tax amounts due from the Company could have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

It should be noted that on 21/09/1441H (corresponding to 14/05/2020G), the Company's shareholders agreed to merge Welspun Pipe Coating including all its assets, rights, liabilities and obligations into the Company (for further information, please see Section 4-1-2 (F) "**Merger with Welspun Coating (Dhu al-Qi'dah 1441H, corresponding to July 2020G)**" of this Prospectus). The Kingdom's Zakat and tax laws do not include any provisions under which the payment of Zakat and taxes on mergers may be postponed or avoided. A merger may be treated by ZATCA as an acquisition of an asset and, therefore, ZATCA may impose Zakat or tax liabilities on the merger. Due to the termination of Welspun Pipe Coating upon the merger, the Company will be required to pay any tax or Zakat liabilities arising from the merger in the future, which would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-1-19 Risks Related to Potential Litigation

The Company is exposed to risks of litigation in relation to its business and operations with several parties, including its customers, suppliers, employees, shareholders and regulators. Litigation is inherently uncertain, and the outcome may not be in the best interest of the Company. Litigations may also divert the attention of management and result in substantial costs and diversion of resources. As of the date of this Prospectus, the Company is not involved in any ongoing or potential legal proceedings. There is no assurance that the Company will not face any litigation proceedings in the future. Any unfavorable outcome in any future legal and regulatory proceedings or high litigation costs incurred by the Company to defend any such claims would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-1-20 Risks Related to Protection of Intellectual Property Rights

As at the date of this Prospectus, the Company does not have any intellectual property rights in the Kingdom or elsewhere, including its trademark. Therefore, the Company may not be able to protect its trademark if it is violated, which in turn would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects. If the Company is not able to register its trademark, or if any person objects to the registration thereof, this would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-1-21 Risks Related to Termination of the Shareholders Agreement

The Selling Shareholders entered into a shareholders agreement dated 30/05/1431H (corresponding to 14/05/2010G), as amended on 09/05/1440H (corresponding to 15/01/2019G) (the "**Shareholders Agreement**"). Pursuant to the Shareholders Agreement, the Company exclusively carries out the business within its scope in the Kingdom, Kuwait, Bahrain, Qatar, Syria, Yemen, theUnited Arab Emirates, Iraq and Oman. The Company has the right of first refusal for any business within such countries vis-à-vis any of the Selling Shareholders. On 06/02/1442H (corresponding to 23/09/2020G), the Selling Shareholders signed an amendment to the Shareholders Agreement pursuant to which the Shareholders Agreement will terminate automatically upon Listing. After termination of the Shareholders Agreement upon Listing, the Company will not have the exclusive right to carry out the business within its scope in the above-mentioned jurisdictions. Therefore, the Selling Shareholders will be able to compete with the Company. If any of the Selling Shareholders competes with the Company, this would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects (for further information regarding the risks related to competition, please refer to Section 2-2-1 "**Risks Related to Competition**" of this Prospectus).

2-1-22 Risks Related to Inadequacy of Insurance Coverage

The Company maintains different types of insurance policies to cover its operations, including property risks insurance, fidelity guarantee insurance, machinery breakdown insurance, money insurance and employee health care insurance (for further information regarding the Company's insurance policies, please refer to Section 12-8 "**Insurance**" of this Prospectus). The Company's operations are subject to inherent risks, such as defects, malfunctions and failures of manufacturing equipment, fire, explosions, loss-in-transit of its products, third-party liability, public liability, accidents and natural disasters. The Company's insurance may not be adequate to completely cover any or all of its liabilities or risks to which it may be exposed. Uninsured losses may occur or their amount may exceed the insurance coverage available to the Company. In addition, the Company's insurance policies may include exceptions or limitations to coverage, under which certain types of loss, damage and liability are not covered by the insurance. As a result, the Company may be vulnerable to incurring losses that would have a material adverse effect on its business and results of operation. Furthermore, there is no assurance that insurance premiums payable by the Company will be commercially viable or that the Company will be able to renew its current insurance policies at all, including in the event of unavailability of adequate insurance for any area of its operations. The occurrence of any of the above would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-1-23 Risks Related to Reliance on Executive Management and Key Personnel

The Company's success depends on the continued service and performance of its Executive Management and key operational team, as well as its ability to recruit, train and retain qualified personnel in the future. In particular, the Company relies on certain key individuals who have valuable experience in the pipe manufacturing industry and who have made substantial contributions to the development of the Company's operations. The Company is subject to intense competition in the pipe manufacturing industry for highskilled professionals. Therefore, the Company may not be able to hire and retain professionals with the required skill set and experience. Executive management and key employees may resign at any time, and the Company may not be able to find suitable replacements. For example, the Company's Chief Executive Officer submitted his resignation effective

December 2020G, and the Managing Director carried out the functions of the Chief Executive Officer until the current Chief Executive Officer (Mohammed Abdulaziz Mohammed Al-Shaheen) of the Company was appointed under the employment contract concluded with him on 20/10/1442H (corresponding to 01/06/2021G) (for further information on the Chief Executive Officer, see Section 5-5-2 "**Members of the Company's Executive Management**" of this Prospectus). The loss of the services of any the Company's Executive Management or key employees may prevent or delay the implementation and completion of its strategic objectives, divert management's attention to seek certain qualified replacements or adversely affect its ability to manage its business effectively. Additionally, some of the Company's important customer relationships may be dependent on the continued performance of individual managers or operational personnel, and loss of such individuals may jeopardize key customer relationships. The Company may need to invest significant financial resources to attract and retain new employees, and it may not realize returns on such investments. The Company's inability to hire and retain Executive Management and key employees with the required skill set and experience would have a material adverse effect on its business, financial condition, results of operations and future prospects.

2-1-24 Risks Related to Lack of Experience in Managing Publicly Listed Companies

Since its establishment, the Company has operated as a limited liability company until it was converted to a closed joint stock company on 05/02/1442H (corresponding to 22/09/2020G). Accordingly, not all members of the Company's Executive Management have experience in managing a joint stock company listed in the Kingdom and in complying with the laws and regulations specific to such companies. In particular, the internal and/or external training that the Executive Management will receive on managing a Saudi listed company, coupled with the regulatory oversight and reporting obligations imposed on listed companies, require substantial attention from the Executive Management, which may divert their attention away from the day-to-day management of the Company. Failure to comply in a timely manner with the regulations and disclosure requirements imposed on listed companies would expose the Company to regulatory penalties and fines. The occurrence of any such events would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-1-25 Risks Related to Employee Misconduct and Errors

Employee misconduct and errors may result in violations of the law by the Company, which would lead to regulatory penalties being imposed on the Company by the relevant authorities. Such penalties would vary according to the misconduct or error and would cost the Company financial liability or damage its reputation. Such misconduct or errors may include:

- socially insensitive behavior;
- engagement in misrepresentation or fraudulent, deceptive or otherwise improper activities while marketing the Company's products to current or potential customers;
- lack of compliance with applicable laws or internal controls and procedures; and
- failure to document transactions properly in accordance with the Company's standardized documentation and processes, failure to take appropriate legal advice in relation to non-standard documentation or failure to obtain proper internal authorization.

If the Company's employees were to commit any misconducts or errors that result in incurring financial liabilities or penalties, this would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-1-26 Risks Related to Corporate Governance and Board Committees

The Company adopted its internal corporate governance charters on 15/02/1443H (corresponding to 22/09/2020G) (for further information regarding the Company's internal corporate governance charters, please refer to Section 5-7 "**Corporate Governance**" of this Prospectus). Such charters include rules derived from the CGRs issued by the CMA. The Company's success in properly implementing its internal corporate governance charters depends on the extent of comprehension and understanding of these charters and their proper execution by the Board, its committees and Executive Management, especially with regard to Board independence requirements, conflict of interest procedures and disclosure requirements. Failure to comply with the mandatory provisions of the CGRs issued by the CMA would result in regulatory penalties being imposed on the Company, which would have a material adverse effect on the Company's operations, financial position, results of operations and future prospects.

The Company formed its Audit Committee and Nominations and Remuneration Committee on 06/02/1442H (corresponding to 23/09/2020G) and 14/02/1442H (corresponding to 21/09/2021) (for further information regarding the Company's Board committees, please refer to Section 5-4 "**Committees of the Board of Directors**" of this Prospectus). Failure by members of such committees to perform their duties and adopt a framework that ensures protection of the Company's interests and those of its shareholders may affect the Company's compliance with its internal corporate governance charters and continuing disclosure requirements and the Board's ability to monitor the Company's activities through such committees, which would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-1-27 Risks Related to Related-Party Transactions

In the past, the Company has entered into Related Party transactions, including loan agreements, whereby Shareholders provided loans to the Company. The balance of such loans was SAR 3.2 million as at March 31, 2021G (for further information, please see Section 6-4-1 "**Summary of the Company's Financial Information**" of this Prospectus). In addition, the Company obtained guarantees from Shareholders for the purposes of its financing contracts. It should be noted that the Company has not documented such Related Party transactions relating to loans and guarantees provided by Shareholders. The Company also entered into an assignment agreement with Welspun Corp, whereby Welspun Corp assigned the performance of certain services pursuant to a purchase order to which it was a party to the Company (for further information, please see Section 6-4-1 "**Summary of the Company's Financial Information**" and Section 12-5 "**Material Agreements with Related Parties**" of this Prospectus). The Company may also enter into Related Party transactions in the future. The total value of Related Party transactions was thirty-one million, seven hundred ninety-two thousand, six hundred seventy-nine Saudi Riyals (SAR 31,792,679), thirty-seven million, thirty-eight thousand, three hundred seventy-six Saudi Riyals (SAR 37,038,376) and forty-four million, forty-six thousand, six hundred sixty-five Saudi Riyals (SAR 44,046,665) in the financial years ended March 31, 2019G, 2020G and 2021G, respectively. Among such transactions, the value of purchases from Related Parties was SAR 14.6 million, SAR 23.7 million, and SAR 26.0 million, which represented 1.9%, 2.0% and 4.7% of the total purchases for the financial years ended March 31, 2019G, 2020G and 2021G, respectively. The value of financial costs was SAR 5.6 million, SAR 5.6 million and SAR 12.1 million, which represented 37.8%, 11.6% and 19.9% of the total financial costs for the financial years ended March 31, 2019G, 2020G and 2021G, respectively.

The balance of dues from Related Parties was SAR 27.5 million, SAR 89.8 million and SAR 6.2 million, which represented 3.3%, 7.8% and 0.8% of the total assets as at March 31, 2019G, 2020G and 2021G, respectively. The balance of dues from Related Parties included the Company's transactions with Welspun Pipe Coating before the merger, which amounted to SAR 27.5 million and SAR 89.8 million as at March 31, 2019G and 2020G, respectively.

The balance of dues to Related Parties was SAR 5.1 million, nil and SAR 0.4 million, which represented 0.6%, nil and 0.1% of the total liabilities as at March 31, 2019G, 2020G and 2021G, respectively.

Article 71 of the Companies Law stipulates that no Director may have any interest, direct or indirect, in the transactions or contracts made for the Company except with authorization from the Ordinary General Assembly. Directors must inform the Board of Directors of any interest they have, direct or indirect, in the transactions or contracts made for the Company and such disclosure shall be recorded in the minutes of the Board meeting. The relevant Director may not participate in voting on the resolution to be issued by the Board of Directors and the Shareholders' assemblies in this regard. Accordingly, the Company obtained the approval of the Ordinary General Assembly for the Shareholder Loan Agreements on 06/02/1442H (corresponding to 23/09/2020G), and the approval of the Ordinary General Assembly on the Company's guarantee commissions and the assignment agreement on 04/11/1442H (corresponding to 14/06/2021G).

Article 71 of the Companies Law provides that if a Director fails to declare their interest in business and contracts made for the Company, the Company or any interested party may file a claim before a competent judicial entity to invalidate the contract or oblige such member to pay any profit or benefit gained thereto from it. Liability for damage caused by such business and contracts shall also be borne by the interested Director, as well as the other Directors, if such business or contracts were made in violation of the provisions of Article 71 of the Companies Law,proven to be unfair, or involve conflict of interests and harm the Shareholders. Accordingly, the Company may be exposed to the risks of breaching Article 71 of the Companies Law with regard to obtaining the approval of the Ordinary General Assembly regarding the Company's guarantee commissions or assignment agreement, and such contracts may be subject to termination. Directors may also be liable for any damage caused by such business and contracts, which would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

In the event that the Company does not document or enter into future Related Party transactions on an arm's length basis, this would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-1-28 Risks Related to Reliance on Information Systems

The Company relies increasingly on its information technology systems in its operations. The Company has implemented a SAP ERP system across all departments as part of its enterprise resource planning. The Company's ability to effectively manage its business depends significantly on the reliability and capacity of such systems, and any potential failure of outside service providers to provide a high quality, uninterrupted service is beyond its control. The Company's information technology systems could be exposed to damage from computer viruses, natural disasters, incursions by intruders or hackers, failures in hardware or software, power fluctuations, cyber terrorists and other similar disruptions. If the Company's information technology systems fail to perform as anticipated for any reason, or if there is any significant breach of security, this will disrupt the Company's business and result in numerous adverse consequences, including reduced effectiveness and efficiency of operations, inappropriate disclosure of confidential or proprietary information, increased overhead costs and loss of important information, which would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

Furthermore, the Company's increased use of and reliance on internet-based applications and systems for the storage, processing and transmission of information (i.e., cloud computing) may expose the Company, its employees and its customers to a risk of loss or misuse of such information. The Company may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future, and the Company's business activities would be materially disrupted and its internal controls compromised if there were a partial or complete failure of any of the Company's information technology systems or communications networks, which would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

It should be noted that the Company's information technology systems are reliant on Welspun Corp Limited whereby the Company's data has been historically stored on Welspun Corp Limited's servers and databases. As of the date of this Prospectus, the Company is in the process of contracting with independent service providers and transferring its data to separate servers and databases, which may take several months to complete. Given the absence of a contractual relationship with Welspun Corp Limited with respect to such data, the Company may have difficulty accessing or using its data for various reasons, such as the lack of cooperation by Welspun Corp Limited or the breach by Welspun Corp Limited's service providers of their obligations which may lead to a partial or complete suspension of the Company's information technology systems. The Company may not have recourse against Welspun Corp Limited or its providers, which would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-1-29 Risks Related to Expansion and Growth Strategy

The Company's future performance depends on its ability to implement its plans and growth strategies, which include winning new bids for projects, participating in new opportunities that may emerge from privatization projects and developing new solutions for customers. These activities depend on the Company's ability to continue implementing and improving its operational and management information systems efficiently in a timely manner, as well as obtaining the regulatory authorities' approvals if any increase in its production capacity or operating any new plants is required. There is no assurance that the Company's personnel or its existing systems will be sufficient to support future expansion and growth or that it will be able to obtain any necessary approvals for any future growth plans in a timely manner or at all. Furthermore, the Company's expansion plans are subject to specific timelines and may require additional funding to cover additional costs. Failure to meet such timelines or to obtain additional funding may result in missing the intended economic outcome of such growth and expansion plans. The Company's failure to implement its business plans and growth strategies for any reason and in a timely manner would have a material adverse effect on its business, financial condition, results of operations and future prospects.

2-1-30 Risks Related to Price Competitiveness

The Company receives most orders for its products through bidding. Bids are evaluated on the basis of technical and financial criteria, particularly price competitiveness. Price competitiveness is linked to the Company's manufacturing efficiency, including with respect to raw material yields, raw material procurement costs, plant conversion costs and overheads. This requires the Company to have systems and processes to maintain and improve its manufacturing efficiency, procurement costs, plant conversion costs and overheads. If the Company is unable to effectively manage and improve these areas, it may not remain price competitive, which may result in the Company losing its share of new orders to other suppliers, including orders for which the Company is currently actively bidding, which would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-1-31 Risks Related to Unexpected Requirements for Capital Expenditure

The Company's operations depend on the availability of the equipment and machinery necessary for manufacturing its products. The Company may be required to replace its current equipment and machinery for any number of unexpected reasons, including breakdowns or technological obsolescence, which may result in incurring capital expenditure to rectify or replace such equipment. If such capital expenditure is significant, the Company may need to obtain additional financing, which may not be available at a reasonable cost or at all. The occurrence of any such events would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-1-32 Risks Related to Changing the Company's Trade Name

The Company has operated under the name "Welspun Middle East Pipes" since 18/12/1431H (corresponding to 24/11/2010G), and the Company is known in the pipe industry and by its customers and other parties with whom the Company does business by this name. Accordingly, the Company's change of its name to "East Pipes Integrated Company for Industry" on 18/12/1431H (corresponding to 24/11/2010G) involves a number of risks and challenges, given the new name may not have the same strong impact as the previous name, and the Company, with the new trade name, may also not be recognized in the pipe industry and by those working in it; moreover, it may take a long time for the Company to gain recognition and acquire market confidence under its new trade name. Since the Company's new trade name is unknown in the market, the Company may no longer realize profits as in the past, which may lead to the Company incurring additional expenses to publicize its name in the market, which would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

2-1-33 Risks Related to the Company's Plant and Equipment

The Company's manufacturing operations consist of the HSAW Plant, the DJ Plant and the Coating Plant. The book value of the plants and equipment as at March 31, 2021G was SAR 554.9 million, and the accumulated depreciation balance of the plants and equipment was SAR 314.6 million as at March 31, 2021G. Equipment is depreciated over a period ranging from two to twenty years, depending on the durability of the equipment. The Company plans regular maintenance of its equipment, and allocates 5% of production hours to preventative maintenance. However, the operation of some basic equipment on which the Company's manufacturing operations depend, such as decoilers, cranes and welding equipment, may fail due to unforeseen reasons or other events such as fire or mechanical failure.

The Company's plants stopped operating for five, six and four days in the financial years ended March 31, 2019G, 2020G and 2021G, respectively, due to maintenance works. In light of regular maintenance, there is no guarantee that the Company's plants will not suffer in the future from lower production due to equipment failure or other unforeseen events such as fires. Such failure may result in lower productivity to the extent that it is not possible to offset production loss and this may harm the Company's relations with its customers, which would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

Moreover, if the useful life of a plant terminates, the Company will bear the costs of shutting down the operation and disposing of its plant and equipment in a way that may be costly. Dismantling costs may cause the Company to incur substantial amounts, which would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-2 Risks Related to the Market and Industry in which the Company Operates

2-2-1 Risks Related to Competition

The Company operates in a highly competitive environment, and there is no assurance that the Company will continue to compete effectively with other players in the market. The Company's current and future performance relies on its ability to acquire, maintain and increase its market share while remaining profitable. This, in turn, depends on the Company's ability to maintain its advantage in production capacity, integrated operations and product offering of wide diameter pipes as well as high quality and competitive prices. There is no assurance that the Company's current or future competitors will not offer products at competitive quality and lower prices or that they will not lower the prices of their products strategically for competitive aims and to expand their market share. The Company may not be able to keep up with its competitors' pricing policies while maintaining its profitability, which may result in losing its market share. Furthermore, the industry in which the Company operates is subject to market trends and changing market requirements driven by advancements in manufacturing capabilities and technologies.

The Company may not be able to rapidly adapt to market trends and stay ahead of its competitors. The occurrence of any of these factors will result in lower demand for the Company's products, which, in turn, would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-2-2 Risks Related to Changes in Government Procurement Policies

The Company benefits from policies introduced by the government of the Kingdom to promote local procurement through local content programs. These programs require customers such as SWCC to purchase from local manufacturers and give the Company an advantage over foreign suppliers. Saudi Aramco also launched the in-Kingdom Total Value Add (IKTVA) Program, whose goal is to localize 70% of local content in Saudi Aramco's supply system. Thus, if there is a change to government policies or Saudi Aramco initiatives with respect to promotion of local manufacturing, the Company may lose this competitive advantage, which would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-2-3 Risks Related to Increase in Energy Prices in the Kingdom

The Company's manufacturing operations are heavily dependent on energy products such as fuel, water and electricity, which represent a significant portion of the Company's production costs. In light on the drop in oil prices and the resulting deficit in the Kingdom's budget, the Council of Ministers approved, pursuant to its Ministerial Resolution No. 95 dated 17/03/1437H (corresponding to 28/12/2015G), cutting government subsidies, which resulted in an increase in prices of energy (including fuel), electricity tariffs,water and sanitation services for the residential, commercial and industrial sectors. Furthermore, the Ministry of Energy announced on 24/03/1439H (corresponding to 12/12/2017G) its plan to adjust prices of energy products. The prices of energy products are adjusted monthly in accordance with the Energy and Water Price Reforms procedures. The Ministry of Energy's announcement of the adjustment of energy prices resulted in higher prices of 91 and 95 octane gasoline, diesel used for industry and utilities, diesel used for transportation and kerosene starting from 14/04/1439H (corresponding to 01/01/2018G).

On 30/11/1442H (corresponding to 10/07/2021G), the Energy and Water Price Reforms Executive Committee in the Kingdom announced the issuance of a royal directive approving a ceiling for gasoline prices as of the date of the announcement, setting the prices at two Riyals and eighteen halalas (SAR 2.18) for octane 91 and two Riyals and thirty-three halalas (SAR 2.33) for octane 95. Such prices shall be reviewed on an ongoing basis, so that the ceiling is not exceeded. The Company's expenses related to public utilities (including fuel, water and electricity) amounted to SAR 5.3 million, SAR 8.4 million and SAR 4.1 million in the financial years ended March 31, 2019G, 2020G and 2021G, respectively, which represented 0.7%, 0.6% and 0.6%% of total expenses for the financial years ended March 31, 2019G, 2020G and 2021G, respectively. Any future material increase in prices of energy products, water and electricity will lead to additional costs incurred by the Company, which the Company may not be able to pass along to its customers and which may therefore affect the Company's profitability. This, in turn, will have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-2-4 Risks Related to Political and Security Risks in the Middle East

The Company's plants, primary operations and customer base are located in the Kingdom. The Kingdom and the Middle East region are subject to a number of geopolitical and security risks. Any geopolitical events or any future developments in the geopolitical situation may contribute to instability in the Middle East and surrounding regions (that may or may not directly involve the Kingdom), and, therefore, investments in the Middle East region are characterized by a significant degree of uncertainty. Any unexpected changes in the political, social or other conditions in countries within the Middle East region, or any terrorist attacks or acts of sabotage in the future targeting the Kingdom, may have an adverse effect on the market in which the Company operates, its ability to retain and attract customers and investments that the Company has made or may make in the future, which, in turn, would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-2-5 Risks Related to the Kingdom and the Global Economy

The Company's primary operations and customer base are located in the Kingdom, and, therefore, its performance, results of operations and growth prospects are affected by the general economic condition in the Kingdom and globally. Any economic downturn in the Kingdom or in the oil and gas industry may adversely affect the Company, as customers may reduce or defer projects for which they utilize the Company's products, which would adversely affect demand for such products. This, in turn, would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

Furthermore, the Kingdom's economy is highly dependent on revenues from oil, which play a significant role in the Kingdom's economic plan and gross domestic product. Any decrease in oil prices will result in an economic slowdown and/or slowdown in the government's spending plans, which would affect all segments of the Kingdom's economy and would subsequently have a material adverse effect on the Company's business, financial condition, results of operations and future prospects. It is worth noting that the economy of the Kingdom, as with the economies of many other countries, is currently experiencing significant disruption as a result of the outbreak of the novel coronavirus disease ("**COVID-19**") (for further information regarding the risks related to COVID-19, please refer to Section 2.2.7 "**Risks Related to the Outbreak of an Infectious Disease**" of this Prospectus), with one such disruption being the steep decline of oil prices during the first quarter of 2020G. There can be no assurance that economic conditions in the Kingdom will not worsen in the future as a result of a decrease in oil prices or otherwise, which would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-2-6 Risks Related to Global Pipe Production Capacity

Demand for HSAW Pipes in the Kingdom and globally is driven by the water, oil and gas industries. In recent years, pipe manufacturing production capacity increased in response to an increase in demand from the water,oil and gas industries and increased construction of new pipelines and other infrastructure developments. Increased pipe manufacturing production capacity combined with weakening demand as a result of global economy slowdown or otherwise may result in production over-capacity in the global HSAW Pipe manufacturing industry. Over-capacity in the global HSAW Pipe manufacturing industry may affect demand for the Company's products in the Kingdom and its ability to expand, raise its sale prices and increase competition, which may affect its ability to increase its production level in general. There is no assurance that the Company will be able to compete successfully in this environment or that a slowdown in global economy or production over-capacity will not last for a long time, which, in turn, would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-2-7 Risks Related to the Outbreak of an Infectious Disease

The outbreak of an infectious disease in the Kingdom or elsewhere, or any other serious public health concern such as the global outbreak of COVID-19, may have a negative impact on economies, financial markets and business activities worldwide, including the Company's business. For example, the outbreak of COVID-19 on a global scale resulted in volatility in global capital markets, impacted commodity prices, resulted in high levels of unemployment and adversely impacted the global demand for oil and oil prices. The Kingdom, like other countries, adopted strict precautionary measures and limits on travel and public transport, requirements for people to remain at home and practice social distancing, and prolonged closures of workplaces and economic activities, which have severely disrupted the Kingdom's economy. There is no assurance as to how long and the manner in which any preventive measures will remain in place, including any re-introduction of such measures, introduction of further measures and the expansion of any such measures. Any of the foregoing or the outbreak of other communicable diseases around the world may result in a prolonged decline in oil prices, or a prolonged adverse effect on the Kingdom's economy, which would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

Furthermore, any outbreak of any infectious disease in the Company's plants may result in closure of such plants for certain periods of time or implementation of certain precautionary measures aimed at limiting physical attendance. For example, the Company's plants were closed for a period of approximately ten (10) weeks from 29/07/1441H (corresponding to 24/03/2020G) and until 14/10/1441H (corresponding to 06/06/2020G) as a result of an outbreak of COVID-19 in the Second Industrial City in Dammam. Such closure affected the Company's production schedule and delayed the delivery of pipes to some customers. It also negatively affected the Company's ability to obtain raw materials and ship them to the Company, which resulted in a decrease in its sales in that period. Sales fell by 43.9% during the year ended March 31, 2021G compared with the year ended March 31, 2020G. The closure also affected the collection of receivables as there was a slowdown in the collection of overdue receivables from the Company's customers, which led to higher average days of receivable collection from 113 days as at March 31, 2020G to 121 days as at March 2021G. In addition, the Company's revenues from its dealings with SWCC decreased by an estimated amount of SAR 606.2 million in the financial year ended March 31, 2021G, due to the pandemic causing the closure of the Company's plants and a decrease in orders submitted to the Company. In general, the closure of the Company's plants may result in disruption of production or incurring additional costs to comply with any precautionary measures, which would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-2-8 Risks Related to Changes in the Regulatory Environment

The Company and its operations are regulated by a number of governmental bodies in the Kingdom, including, but not limited to, the Ministry of Commerce, the Ministry of Investment, the Ministry of Industry and Mineral Resources, the General Authority for Meteorology and Environmental Protection and Modon. The legal and regulatory environment in the Kingdom is rapidly changing and developing in line with the Kingdom's economic reform plans. Therefore, it is likely the relevant regulators may adopt changes in laws, regulations and policies in the future, including laws and policies related to tax, liquidation, imports and exports, environment protection and health and safety standards, which may affect the Company's business and operations. Failure to comply with the requirements of the applicable laws may result in fines or penalties imposed on the Company by the relevant regulators. In the event that the Kingdom introduces new laws or changes existing laws that govern the Company's business and operations, the Company may have to incur significant expenditure or modify its business practices, operations, products or production lines to comply with existing or future laws and regulations. The occurrence of any of the above would result in incurring unexpected or additional expenses, which may be high and would subsequently have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

The Company's operations involving imported materials and goods are also governed by laws and instructions administered by ZATCA and Saudi Ports Authority. Any amendment or update to the relevant laws may affect the prices of products and goods imported by the Company, including Saudi Ports Authority Board Resolution No. 39/C5/D1 dated 19/04/1441H (corresponding to 16/12/2019G) amending the fees for port services as of 06/05/1441 (corresponding to 01/01/2020G) with an increase of up to 35% for imported materials, which would lead to higher costs incurred by the Company. Failure to comply with these laws has negative consequences such as penalties, or affects the Company's reputation, which would have a material adverse impact on Company's business, financial position, results of operations and future prospects.

2-2-9 Risks Related to Licenses, Permits and Approvals

The Company is subject to a number of laws and regulations that require it to obtain the necessary licenses and permits from the competent regulatory authorities in the Kingdom to exercise its business activities. These include obtaining licenses, certificates, permits and approvals from the Ministry of Commerce, the Ministry of Investment, the Ministry of Industry and Mineral Resources, the General Authority for Meteorology and Environmental Protection, Modon and Saudi Standards, Metrology and Quality Organization (SASO) (for further information about the Company's licenses, please refer to Section 12-2-3 "**Key Licenses**" of this Prospectus). The process for obtaining such licenses and permits is often lengthy, and most licenses, certificates and permits are subject to terms and criteria under which they can be suspended or revoked if the licensee does not comply with certain requirements, conditions or criteria. It should be noted that as at the date of this Prospectus, the Company owns some expired key licenses and certificates that the Company is seeking to renew, namely two environmental work licenses issued by the General Authority of Meteorology and Environmental Protection, and ISO 14001 and OHSAS 1800 certificates for pipe coating issued by Lloyd's Register in addition to two operating licenses issued by the Modon to operate the Company's plants (for further information about the Company's licenses, please refer to Section 12-2-3 "**Key Licenses**" of this Prospectus). The Company may be subject to penalties and fines if it continues to conduct its activities without obtaining the above licenses and certificates. Furthermore, when renewing or modifying the scope of a license, certificate or permit, the relevant authority may not renew or modify the relevant license, certificate or permit and may impose conditions that would adversely affect the Company's performance if it did renew or modify the relevant license, certificate or permit. The Company's inability to maintain or obtain the relevant licenses, certificates and permits may result in the suspension of the Company's operations or the imposition of fines, which would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-2-10 Risks Related to Environment, Health and Safety

The Company's operations are subject to environmental, health and safety regulations and requirements. The Company's operations generate pollutants and waste, some of which may be hazardous. The discharge, storage and disposal of such hazardous waste is subject to environmental regulations, including limits to emissions or spills of toxic substances. Noncompliance with such regulations may expose the Company to penalties, fines and/or revocation of its operational licenses. Introduction of more stringent regulatory requirements in connection with environment, health and safety in the Kingdom would likely result in increased and unexpected environmental capital expenditures and costs for compliance. Any penalties imposed on the Company as a result of noncompliance with environmental regulations or any increase in costs of compliance with any new environmental regulations would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

It should be noted that two of the Company's environmental licenses to operate issued by the General Authority of Meteorology and Environmental Protection have expired and the renewal application is still under consideration by the General Authority of Meteorology and Environmental Protection as at the date of this Prospectus (for further information regarding the Company's environmental licenses, please refer Section 4-3-7 "**Health, Safety and Environment**" of this Prospectus). The Company received a penalty from the General Authority of Meteorology and Environmental Protection ("**GAMEP**") on 09/04/1441H (corresponding to 06/12/2019G) in the amount of ten thousand Saudi Riyals (SAR 10,000) for the failure to submit its environmental register. GAMEP has also notified the Company that if such a violation occurs again, the Company's facilities will be closed for ninety (90) days. The imposition by GAMEP of such a penalty on the Company may result in a disruption in the Company's production activities, which would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-2-11 Risks Related to Value Added Tax

The Kingdom issued the Value Added Tax ("**VAT**") Law, which became effective on 14/04/1439H (corresponding to 01/01/2018G). This law imposes a VAT of 5% on a number of products and services, including the Company's products. On 17/09/1441H (corresponding to 10/05/2020G), and as a response to the economic impact of the COVID-19 pandemic, the Kingdom announced increasing VAT to 15%, which became effective on 10/11/1441H (corresponding to 01/07/2020G). While the increase in the VAT is new and its impact is not yet determined, VAT, by its nature, is borne by the end consumer, and, therefore, the Company expects an increase in the selling price of its products. Such increase or any future increase may affect customer spending and competition in the market, which would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

Furthermore, the implementation of VAT is relatively new, and the Company may commit errors while implementing the regulatory requirements, which may result in penalties imposed by GAZT in accordance with the VAT Law, which, in turn, would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-2-12 Risks Related to Foreign Exchange Rates

The Company is subject to currency exchange risks when engaging in commercial transactions denominated in currencies other than the Saudi Riyal. For example, the Company regularly transacts in the US Dollar (USD) or other currencies to purchase raw materials, industrial equipment and spare parts. As part of the Kingdom's policy, the Saudi Riyal is, as of the date of this Prospectus, pegged to the US Dollar at an exchange rate of SAR 3.75/USD 1. However, there is no guarantee that the Saudi Riyal will remain pegged to the US Dollar. Any unpredicted fluctuation in exchange rates or the value of the Saudi Riyal against foreign currencies used by the Company would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-2-13 Risks Related to Financing Costs and Interest Rate Fluctuation

The Company's expansion and development plans depend on obtaining financing from external lenders, such as banks, government lending entities and other financiers. Such financing is subject to interest rates and commission rates applied by banks that may be significantly affected by factors beyond the Company's control, such as monetary and tax policies and global economic and political conditions. Any increase in interest rates and commission rates applied by banks will lead to higher financing costs incurred by the Company, which will adversely affect its future profitability and ability to pay and fulfil its obligations to lenders. Fluctuations in interest rates and higher commission rates would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-2-14 Risks Related to Compliance with Saudization Requirements

In accordance with the Saudization requirements, all companies operating in the Kingdom, including the Company, must employ and maintain a certain percentage of Saudi employees. Such percentage varies based on the activity of each entity as set out under the Nitaqat program. MHRSD "**Ministry of Human Resources**"approved an amendment to the Nitaqat program under the name of "Nitaqat Mawzoon" (Balanced Nitaqat) in order to improve market performance and develop and eliminate non-productive Saudization. It was supposed to come into effect on 12/03/1438H (corresponding to 11/12/2016G). However, in response to private sector demands for additional time to achieve the Saudization rate, Ministry of Human Resources postponed implementation of such program until further notice, and, as of the date of this Prospectus, no new implementation date has been set. Under the Nitaqat Mawzoon program, points would be calculated based on five factors, namely: (i) Saudization rate; (ii) average wage for Saudi employees; (iii) percentage of female Saudization; (iv) job sustainability for Saudi employees; and (v) percentage of Saudi employees with high wages. As of the date of this Prospectus, the existing framework under Nitaqat remains in place, and entities continue to be ranked on the basis of a system of rolling averages which calculate average weekly Saudization over a 26-week period.

The Company is currently in compliance with the Saudization requirements and as of 04/12/1442H (corresponding to 14/07/2021G) has obtained a "Medium Green" classification under the Nitaqat program, as the Company's Saudization percentage according to the Nitaqat program was 23.46% of the Company's total workforce (for further information about the Company's Saudization status, please refer to Section 4.9 "**Employees**" of this Prospectus). However, the Company may not be able to continue to comply with the Saudization and Nitaqat program requirements. In such a case, the Company will face penalties by governmental authorities, such as suspension of work visa requests, suspension of requests for transfer of sponsorship for non-Saudi employees and exclusion from governmental tenders and governmental loans. The Company may not be able to recruit Saudi employees under favorable conditions, if at all, or maintain its current Saudi employees, which in turn would affect its ability to meet the required Saudization percentage. There may be a significant increase in costs of salaries in the event that the Company hires a larger number of Saudi employees. The occurrence of any of the above would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-2-15 Risks Related to Government Fees Applicable to Non-Saudi Employees

The Kingdom implemented a number of reforms aimed at increasing Saudi employees' participation in the labor market, including imposing fees on non-Saudi employees employed at Saudi companies as well as fees on residency permits of non-Saudi employees' family members. The non-Saudi employees fee became effective on 14/04/1439H (corresponding to 01/01/2018G) while the residency permit fees became effective on 07/10/1438H (corresponding to 01/07/2018G), noting that such fees increased gradually from four thousand, eight hundred Saudi Riyals (SAR 4,800) to nine thousand, six hundred Saudi Riyals (SAR 9,600) annually per employee in 2020G. As of March 31, 2020G, nonSaudi employees constituted 62.49% of the Company's total employees. Implementation of such fees and increases increased governmental fees paid by the Company for its non-Saudi employees, which amounted to SAR 0.6 million in the financial year ended March 31, 2020G. In addition, an increase in fees payable by non-Saudi employees for their family members resulted in higher living costs, which may affect the attractiveness of the Kingdom for such employees who may look to relocate to other countries with lower living costs. Consequently, high government fees and difficulty in maintaining non-Saudi employees would have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

MHRSD officially announced the launch of the "Improving Contractual Relationships" initiative, which encompasses a number of policies and controls, including the replacement of the kafala (sponsorship) system with an employment contract system between the employer and expatriate worker, effective as of 01/08/1442H (corresponding to 14/03/2021G). Under this initiative, the Kingdom strives to improve and promote the efficiency of the work environment, enhance the flexibility, effectiveness and competitiveness of the labor market and raise its attractiveness in line with international best practices, and apply the contractual reference in the employment relationship between employers and employees based on a documented employment contract through the contract documentation program. The job mobility service also allows expatriate workers to switch to another job at the end of their employment contract without the employer's consent. Furthermore, the initiative also defines the mechanisms of mobility during the term of the contract, provided that the notice period and applicable controls are adhered to. The exit and return service allows expatriate workers to travel outside the Kingdom upon submitting an application, while notifying the employer electronically. The final exit service enables expatriate workers to leave immediately at the end of the contract, while notifying the employer electronically, without the employer's consent. There is also the option to leave the Kingdom where the worker bears all the consequences of the termination of the contract. All these services will be available through Absher and MHRSD's Qiwa platform. As a result, the Company may be adversely affected in the event that a large number of employees decide to switch to other companies, and the Company will not be able to prevent them from doing so except to the extent permitted under their employment contracts. Hence, the Company may face difficulties in contracting with new employees to replace them. Should the Company lose a large number of its employees due to those employees switching to other companies and being unable to hire new employees to replace them, this will have a material adverse effect on the Company's business, financial position, results of operations and future prospects.

2-2-16 Risks Related to Floods, Earthquakes and Other Natural Disasters or Disruptive Acts

The occurrence of natural disasters or disruptive acts that are beyond the Company's control may adversely affect the Company's plants or employees. Any damages to the Company's plants as a result of floods, earthquakes, storms or other natural disasters, or as a result of disruptive acts such as terrorist attacks, would result in incurring significant costs and/or suspension of the Company's operations, which, in turn, would result in an increase in production costs and decrease in revenues. The occurrence of any of those events would have a material and adverse effect on the Company's business, financial condition, results of operations and future prospects.

2-2-17 Risks Related to Changes in the Calculation Mechanism for Zakat and Income Tax

ZATCA issued Circular No. 6768/16/1438 dated 05/03/1438H (corresponding to 05/03/2016G) which requires Saudi companies listed on the Exchange to calculate income and Zakat on the basis of the nationality of the shareholders and the actual ownership between the Saudi and GCC citizens and others as stated in the Tadawulaty system at the end of the year. Prior to the Circular, Exchange-listed companies were generally subject to the payment of Zakat or tax on the basis of the ownership of their founders in accordance with their articles of association. The fact that shares were listed was not a consideration in determining the Zakat base. This Circular was to be applied in the financial year ended 31/12/2016G and subsequent years. However, ZATCA issued Letter No. 12097/16/1438 dated 19/04/1438H (corresponding to 17/01/2017G) postponing the implementation of this Circular for the financial year ended 31/12/2017G and subsequent years. Until ZATCA issues its directives regarding the mechanisms and procedures for implementing this Circular, the implementation of this Circular, including the final requirements to be met, are still under consideration, as well as the rules that impose income tax on all non-GCC residents who have shares in Saudi listed companies which apply the withholding tax on dividends of non-resident shareholders irrespective of their nationalities. The Company has not assessed the financial impact of this Circular or taken sufficient steps to ensure compliance therewith. If the financial impact of this Circular is significant when applied or if the Company incurs additional costs to take the necessary steps to ensure compliance therewith, this will have an adverse effect on the Company's business, results of operations, financial condition and future prospects.

2-2-18 Risks Related to Seasonality

The Company's operational operations are affected during Ramadan due to the reduction of working hours for the Company's employees. The decrease in working hours during Ramadan leads to lower productivity during the day compared to the Company's productivity in any other month. Accordingly, if the Company encounters, in other seasons, the same productivity levels evidenced during the month of Ramadan, this will adversely affect its business, results of operations, financial condition and future prospects.

2-3 Risks Related to the Offer Shares

2-3-1 Risks Related to Effective Control Post-Offering by the Selling Shareholders

Following the Offering, the Selling Shareholders will continue to collectively hold a controlling interest in the Company. They include Welspun Holdings, Aziz Company, Vision Invest, and Mohawarean who will collectively own 70% of the Company's share capital. As a result, the Selling Shareholders will have significant control over the Company's business through their ability to control resolutions and actions requiring shareholders approval, including but not limited to matters such as election of Directors, material Company transactions, dividend distributions and capital adjustments. If the interests of the Selling Shareholders conflict with those of the Company's minority Shareholders (including the Investors), the minority Shareholders will be disadvantaged, and the Selling Shareholders may otherwise exercise their control over the Company in a manner that would have an adverse effect on the Company. This, in turn, would have an adverse effect on the Investors' anticipated returns or result in the loss of all or a portion of their investment in the Company.

2-3-2 Risks Related to the Lack of a Prior Market for the Shares

There is currently no market for trading the Company's Shares, and an active and sustained market for the Company's Shares may not develop or be sustained after the Offering. If an active and liquid market is not developed or maintained, the price of the Shares may be adversely affected or might lead to the loss of all or a portion of Subscribers' investments in the Company.

The Offer Price has been determined based upon a variety of factors, including the Company's prior performance and future business prospects, the industry in which the Company operates and the markets in which it competes, and the Company's assessment of its management, operations, and financial results. Various factors, including but not limited to, the Company's financial results, its status in the manufacturing industry in general, and the economic and regulatory environment may lead to sharp fluctuations in the price of the Company's Shares and the liquidity available for trading the Shares.

2-3-3 Risks Related to Sale of a Large Number of Shares on the Market

Sales of a large number of the Shares on the market after the completion of the Offering, or the perception that such sales will occur, may adversely affect the market price of the Shares. Upon the successful completion of the Offering, the Substantial Shareholders will be subject to the Lock-up Period of six (6) months following the Offering during which they may not dispose of any Shares they own. The sale of a substantial number of Shares by any of the Substantial Shareholders following the expiration of the Lock-Up Period, or the perception that such sales may occur, would have an adverse effect on the market for the Shares and may result in a lower market price.

Furthermore, if and when the Company decides to raise additional capital by issuing new Shares, the issuance of such Shares may adversely affect the price of the Shares in the market and dilute the Shareholders' ownership percentage in the Company if they do not subscribe to new shares at that time. The occurrence of any of the foregoing factors would have an adverse effect on the Investors' anticipated returns or may result in the loss of all or portion of their investment in the Company.

2-3-4 Risks Related to the Volatility of the Price of the Shares on the Market

The Offer Price may not be indicative of the price at which the Shares will be traded following completion of the Offering, and the Investors may not be able to resell the Offer Shares at the Offer Price or above or may not be able to sell them at all.

The trading price of the Shares may fluctuate significantly in response to a number of factors, many of which are beyond the Company's control, including:

- adverse fluctuations in the Company's results of operations or improved performance of its competitors;
- actual or anticipated fluctuations in the Company's quarterly or annual results of operations;
- downgrades or changes in research coverage by securities research analysts with respect to the Company, its competitors or the industry in which the Company operates;
- the public's reaction to the Company's announcements and press releases;
- failure of the Company or its competitors to meet analysts' projections;
- additions or departures of key personnel;
- changes in the Company's business strategy;
- changes in the regulatory environment;
- changes in the applicable accounting rules and policies;
- political or military developments or terrorist attacks in the Middle East or elsewhere;
- political, economic or other developments in or affecting the Kingdom;
- release or expiry of the Lock-Up Period or other transfer restrictions on the Shares;
- natural and other disasters; and
- changes in general market and economic conditions.

Any of these factors may result in large and sudden changes in the trading volume and market price of the Shares, which, in turn, may lead to an adverse effect on the Investors' anticipated returns or result in the loss of all or portion of their investment in the Company.

2-3-5 Risks Related to the Company's Ability to Distribute Dividends

The Company may not be able to pay dividends, and the Board may not recommend, and the Shareholders may not approve, the payment of dividends for any reasons. Future distribution of dividends will depend on several factors, including, among other things, future earnings, financial condition, cash flow, working capital requirements, capital expenditures and distributable reserves of the Company (for further information regarding the Company's dividend distribution policy, please refer to Section 7 "**Dividend Distribution Policy**" of this Prospectus). In addition, the Company may be subject to the terms of its future financing agreements, which may impose restrictions on making any dividend payments. For example, the Company's financing arrangements with Alinma Bank and NCB include restrictions on the distribution of dividends. The Company may incur expenses or liabilities that would reduce or eliminate the cash available for the distribution of dividends. If the Company does not pay dividends to the Shareholders, Shareholders will not receive any return on investment in the Shares unless they sell the Shares at a price higher than the Offer Price. There is no assurance that the Company will be able to distribute dividends to the Shareholders, or that dividend distribution will be recommended by the Board or approved by the Shareholders, which may have an adverse effect on the Investors' anticipated returns on the investment in the Offer Shares.

3- Market and Industry Information

Information related to the market and industry in which the Company operates as set out in this Prospectus is derived from the market study report dated 01/12/1441H (corresponding to 22/07/2020G) by Roland Berger Middle East W.L.L., an independent consulting firm incorporated in Bahrain as a subsidiary of German company, Roland Berger. Roland Berger was founded in Munich in 1967 as a provider of market services and international consulting, having offices in several countries around the world. It is one of the leading companies providing professional services around the world (the "Market Consultant") (for further information about the Market Consultant, please visit its website (www.rolandberger.com)).

The Market Consultant does not, nor do any of its subsidiaries, affiliates, partners, shareholders, directors, managers or their relatives, own any shares or any interest of any kind in the Company or its Subsidiaries. The Market Consultant has given, and not withdrawn as at the date of this Prospectus, its written consent for the use of its name, market information, and data supplied by it to the Company in the manner and format set out in this Prospectus.

The Directors believe that the information and data contained in this Prospectus from other sources, including that provided by the Market Consultant, are reliable. However, such information and data has not been independently verified by the Company, the Directors, the Advisors or the Selling Shareholders, and thus none of them assume any liability for the accuracy or completeness of such information".

3-1 Global market overview

The global welded pipe market is composed of three products: HSAW Pipes, LSAW Pipes and ERW Pipes. Each welded product has different characteristics and hence different uses (table 1).

Table (3-1): Overview of welded pipes

	HSAW	LSAW	ERW
Production process	Steel coils are rolled in spiral and welded	Steel plates are bent to form a pipe and are welded longitudinally	Coiled plate formed into a tube by high-frequency electrical welding
Characteristics	HSAW Pipes are generally ranging from 50" to 120"	Diameters are limited to approximately 60" Prices typically higher than HSAW	The welding gives strong resistance, but diameter range is reduced (up to 20")
Application	HSAW is more versatile, used in both water and O&G midstream applications	Mainly used for O&G midstream applications	Used mainly in upstream pipelines due to its small diameter range

Source: Roland Berger

The production of the different types of bare pipes are in most cases coupled with coating (addition of chemicals at the surface of the pipe to improve its performance) and double joining (combination of bare pipes to form a longer pipe) services.

3-1-1 Historical global demand

The global welded pipe (excluding ERW) has decreased during the recent years from 14.3 m MT in 2015 to 11.6 m MT in 2019, attributable to a decline in LSAW market. This decrease is largely due to less construction of oil & gas pipelines globally (40% drop in oil & gas investments between 2014 and 2016 globally). On the other hand, the HSAW market has been stable, mainly supported by water infrastructure projects.

Table (3-2): Global welded pipe demand (excluding ERW) [m MT]

	2015	2016	2017	2018	2019	CAGR
HSAW Pipes	4.8	4.6	4.8	4.8	4.7	-1%
LSAW Pipes	9.5	7.3	7.5	6.6	6.9	-7%
Total welded pipe	**14.3**	**11.9**	**12.3**	**11.4**	**11.6**	**-5%**

Source: Roland Berger

China is the most important player in welded pipe market since it has a large HSAW demand in oil & gas and water pipelines due to its high level of consumption (large population) and usage of HSAW in oil & gas sector. India and other regions have grown significantly (3-5%) over the period from 2015 to 2019, but their market size is limited (approximately 20%) as of 2019.

Middle East is a key region in welded pipe market due to KSA's high investment in pipelines. The investments in pipelines in the region are driven by KSA's Vision 2030 initiatives in oil & gas and water pipelines, combined with a fast-growing consumption of water and gas.

On the other hand, North America's demand has been the only market where welded pipes consumption has decreased significantly (approximately 30% between 2015 and 2019). USA's slight market growth hasn't compensated the steep reduction in oil & gas pipelines in Mexico and Canada (reduction of oil infrastructure investments in both countries).

Table (3-3): HSAW global demand by region (m MT)

	2015	2016	2017	2018	2019	CAGR
China	1.6	1.7	1.8	1.8	1.7	2%
Middle East	1.3	1.3	1.2	1.3	1.3	0%
North America	1.3	0.9	0.9	0.9	0.9	-9%
India	0.3	0.4	0.4	0.4	0.4	3%
Other	0.3	0.3	0.5	0.4	0.4	5%
Total HSAW Pipe demand	4.8	4.6	4.8	4.8	4.7	-1%

Source: Roland Berger

3-1-2 Historical global supply

As of 2019, most of the capacity (approximately 90%) is concentrated in 5 key regions including India, Europe, GCC, North America and China. India accounts for approximately 30% of the global production, mainly driven by JINDAL SAW (9 plants), and Welspun Corp. (production sites in 4 different cities). GCC is a key region with 2.9 m MT of the capacity, allocated across approximately 10 players.

Table (3-4): Global supply capacities by region (m MT, 2019)

Country	HSAW capacity	LSAW capacity	Combined capacity
India	2.3	2.4	4.7
Europe	1.2	2.4	3.6
GCC	1.3	1.6	2.9
North America	1.4	1.3	2.7
China	0.5	1.5	2.0
Other	0.9	0.8	1.7

Source: Roland Berger

The global competition in HSAW and LSAW market is concentrated in the top 7 companies, accounting for 65% of total production capacity. Most of the largest pipe suppliers have both HSAW and LSAW production capacities, while smaller players are specialized in either HSAW or LSAW. Welspun Corp. is the HSAW market leader with 1.5 m MT capacity, followed by Jindal SAW and Evraz North America (respectively 1.3 m MT and 1.1 m MT).

Table (3-5): Global supply capacities [m MT, 2019]

	HSAW capacity	LSAW capacity	Combined capacity	Country (HQ)
Jindal SAW	1.3	1.7	3	India
Welspun	1.5	0.7	2.2	India
Europipe	0.7	1.4	2.1	Germany
Shengli	-	1.5	1.5	China
JFE	0.6	0.7	1.3	Japan
Evraz NA	1.1	-	1.1	USA
Liaoyang	0.5	-	0.5	China
Others	3.1	2.9	5.9	Various

Source: Roland Berger

3-2 GCC & KSA market overview

Similarly to the global market, the GCC & KSA welded pipe market is composed of HSAW and LSAW. In this section, we assess KSA macro-economic factors and the historical GCC & KSA welded pipe market.

3-2-1 Macro-economic assessment

In recent years, the Kingdom of Saudi Arabia has witnessed a solid economic growth. GDP grew at a compounded annual growth rate of 5% between 2015 and 2019. The fiscal environment had developed positively with increasing government expenditures and a reduction in government deficit. Furthermore, transformation initiatives, mainly linked to KSA's Vision 2030 program, have had a significant impact on the economic growth.

The key factors underpinning the development of the pipe market in Saudi Arabia are outlined in the following sections.

Economic development

A. Nominal GDP

Supported by the oil price increase (approximately 70% increase from USD 41 per barrel to USD 70 per barrel), KSA nominal GDP grew strongly from 2015 to 2019 (approximately 5% CAGR growth).

Table (3-6): KSA nominal GDP segmented by sector (current prices) [SAR bn]

	2015	2016	2017	2018	2019	CAGR
Total nominal GDP	2,454	2,419	2,582	2,949	2,974	5%

Source: General Authority for Statistics

B. Fiscal development

The fiscal environment is defined by three key factors: Government expenditure, budget deficit/surplus and taxation. In the past years, these factors have had a positive impact on the pipe market.

C. Government expenditure and budget reduction

Government expenditure has primarily been based on oil price. The recovery of oil price between 2016 and 2018 led to a 25% government expenditure increase between 2016 and 2019, positively impacting investments in gas and water infrastructures.

Table (3-7): KSA government expenditures

	Unit	2015	2016	2017	2018	2019	CAGR
KSA government expenditure	[SAR bn]	1,001	830	930	1,031	1048	+1%
OPEC oil prices (yearly average)	[USD/barrel]	49	41	53	70	64	+7%

Source: KSA Ministry of Finance, OPEC, IEA

The budget deficit was -16% of GDP in 2015, however an oil price recovery enabled a deficit reduction to -5% in 2019, positively impacting the pipe market (more funding available for pipeline projects).

Recently, the COVID-19 has had a negative impact on 2020 budget due to lower revenues for the government. In Q1 2020 (vs Q1 2019), government revenues declined (-22%) and government expenses increased (+4%), both coming from a drop in oil price (-24%) and consumption disruption (lower taxes).

Table (3-8): KSA government budget overview

	Unit	2015	2016	2017	2018	2019
KSA government budget surplus/deficit	[% of GDP]	-16%	-17%	-9%	-6%	-5%
OPEC oil prices (yearly average)	[USD/barrel]	49	41	53	70	64

Source: KSA Ministry of Finance, OPEC, IEA

D. VAT and levies increase

Due to the fiscal imbalance, VAT has been increased from 5 to 15% via the issuance of the Royal Order number A/638 on 15/10/1441H (07/06/2020G).

All companies are potentially liable to pay customs duties when exporting to KSA. There has been an increase from 5 to 15% on customs duties, applicable on building materials (including pipes & tubes) and hot-rolled steel. However, exemptions exist if the product is not available in the country, which is the case for the large thickness HR coils with certain grade (used for the large thickness pipes). The consequence is that customs duties increase could lead to a better competitiveness for KSA local players against international companies on large thickness pipes (used normally in the water sector).

E. Transformation programs

Since 2016, Saudi Arabia has launched the Vision 2030 to become "The heart of the Arab and Islamic worlds, the investment powerhouse, and the hub connecting three continents". The Vision 2030 is KSA's latest and largest economic and social blueprint, which aims at boosting the local economy.

The Vision 2030 blueprint has a significant potential impact on the pipe industry, fostering investments and localization of production and capabilities. Among the Vision 2030 programs, five have potentially positive impact on the pipe industry:

- Key projects with significant impact on pipe demand: National transformation program (e.g. desalinated water resources enhancement program), the National Industrial Development and Logistics Program (improvement of the country's infrastructure and industries) and the Housing Program
- Key projects with significant impact on the pipe stakeholders' financing capacities: PIF program (sovereign wealth fund investing in all Kingdom areas including water and oil & gas pipelines) and the Financial Sector Development Program (improvement of the country's financial sector and modernization of financial institutions)

In addition, large scale urban developments such as Neom, Red Sea and other developments under the Housing Program would require connections to water and gas supplies.

Table (3-9): List of National Transformation Program and NIDLP projects related to the pipe market

Projects	Description	Examples
Desalinated water resources enhancement (National Transformation Program)	Raise the production capacity of SWCC by establishing and replacing desalination plants as well as water transport lines between cities	Establishment of an independent water desalination plant in Al-Shuqaiq city to meet the southern region water need – Plant with 450,000 cubic meters per day for a total cost of SAR 2.2 bn
Gas supplies & distribution network (NIDLP)	Increase the volume of gas supplies and the expansion of the distribution networks across the Kingdom of Saudi Arabia	Capacity increase projects for operating pipelines Establishment of new pipelines to meet demand from new industrial cities
Desalination industry localization (NIDLP)	Leverage the desalination need to localize the industry value chain in the country	SAR 8 bn opportunity to localize desalination products manufacturing

Source: Vision 2030

3-2-2 Historical demand

A. Key trends

The HSAW demand in KSA has been linked to the evolution of several trends that require the construction of water and O&G pipelines.

Table (3-10): KSA pipe demand trends

Water			O&G			
Desalination plant building	New cities	Increase in pipeline capacity	New power plants	New industrial cities	New O&G fields	Increase in pipeline capacity
Desalination plants require pipeline to connect to the end-user. They also drive gas investments (high energy consumption)	New cities need to be connected to water production facilities to meet their own needs	Increase in water consumption requires additional pipeline capacity (vs. current)	New gas power plants require pipelines to get the raw material	Pipelines are required to supply raw material (e.g. gas) to new industries being developed	New O&G fields require additional pipeline to connect to the grid	Transportation capacities are expanded for strategic purposes or to address increase in gas consumption

Source: Roland Berger

In terms of expanding the pipes' market, HSAW Pipes could be used for the transmission of considerably large quantities of water such as for the Riyadh's wastewater plants. Furthermore, there have been advances in new technologies that could require HSAW Pipes. For example, in July 2020 Air Products, ACWA Power and NEOM signed an agreement for the production and export of green hydrogen. Green hydrogen could be transported by HSAW Pipes if the technical characteristics of the pipes produced are adjusted to this element.

The above trends are the consequence of a significant growth in water and gas consumption over the last years that has been caused by:

- Population increase: +2% CAGR between 2015 and 2019
- Urbanization development: +1.5% CAGR between 2015 and 2019 (percentage of people living in cities)
- Gas consumption per capita increase: +2% CAGR between 2015 and 2019
- Gasification of consumption: effort to gasify oil uses (e.g., reduction of use of oil power plants and development of new gas plants).

B. Key success factors

GCC pipe producers have faced multiple challenges in recent years (e.g., high competitive pressure on key projects, change of relevance from small diameters to long diameters, etc.). There are four key success factors in this business, as described below:

- Business development excellence:
  - Cultivate a long-lasting relationship with end clients and Engineering Procurement & Construction companies based on quality products and responsive after-sales
  - Effective bidding team to optimize offering along the bidding process
- Wide product range and integrated offering:
  - Provide a wide range of diameters, especially large diameters (80+ inches) to address the high value water segment
  - Offer an integrated offering, adding coating and double joining services to bare pipes
- Price competitiveness:
  - Procurement excellence: Optimize procurement costs (e.g. bargaining power)
  - Operation excellence: Coordinate production and extend plants' operating hours to reach full capacity and decrease costs
  - Optimized overhead: Cultivate a lean organization
- Scale: Develop large production capacity to win large pipeline projects (e.g. water) by avoiding subcontracting and drive costs down (economies of scale)

C. Demand in GCC in the past 5 years

In 2015, the welded pipe market in the GCC consisted of HSAW (1.00 m MT) and LSAW (0.87 m MT). LSAW demand has decreased in the recent years to 0.74 m MT in 2019 (-4% CAGR). This has been mainly due to a lower demand from the UAE (-70% in 2019 from a high approximately 0.3 m MT in 2015) after several commissioning of pipelines and an absence of new projects announced. In the meantime, the HSAW market has remained stable at approximately 1 m MT, supported by large KSA water projects (e.g. Ras Al Khair – Riyadh Water Transmission System) and price competitiveness compared to LSAW Pipes (O&G segment).

Table (3-11): GCC welded pipe demand by type (m MT)

	2015	2016	2017	2018	2019	CAGR
HSAW	1.00	0.97	0.95	0.96	0.99	0%
LSAW	0.87	1.19	1.06	0.78	0.74	-4%
Total	**1.87**	**2.16**	**2.01**	**1.74**	**1.73**	**-2%**

Source: Roland Berger

The HSAW market has remained stable in each of the GCC countries. The KSA market (0.86 m MT in 2019) has represented most of the total demand (85-90%). Other countries haven't increased their consumption of HSAW Pipes due to a combination of factors such as usage of GRP pipes (water projects in UAE) and high relevance of LSAW small diameters (oil & gas projects in Kuwait).

Table (3-12): HSAW Pipe demand by country [m MT]

	2015	2016	2017	2018	2019	CAGR
KSA	0.86	0.85	0.84	0.84	0.86	0%
Kuwait	0.09	0.06	0.06	0.06	0.06	-9%
UAE	0.05	0.04	0.03	0.04	0.05	-0%
Oman	-	0.02	0.02	0.02	0.02	0%
Total	**1.00**	**0.97**	**0.95**	**0.96**	**0.99**	**0%**

Source: Roland Berger

GCC HSAW market has been driven mainly by KSA water market in the last 5 years, representing approximately 60% of the total HSAW demand. The prominence of the KSA water market is mainly explained by two factors. First, the absence of rivers in KSA and vast territories requires pipelines to transport water. Second, there has been an increase in the construction of desalination plants and their corresponding pipelines. high water consumption growth is currently addressed by the construction of desalination plants and pipelines to link them to cities.

The O&G market in KSA represented around 25% of HSAW demand over the last 5 years in tonnage. This is due to the fact that O&G HSAW Pipes have a smaller diameter and hence weigh less than water pipes. Furthermore, both HSAW and LSAW Pipes are used for O&G pipelines depending on the level of sulfur content of the product to be transmitted and hence the specifications of the project.

Table (3-13): GCC HSAW demand by application [m MT, 2015 – 2019]

	KSA	Kuwait	Other	Total
Water	2.96	-	0.06	3.02
Oil & gas	1.29	0.33	0.23	1.85
Total	**4.25**	**0.33**	**0.29**	**4.87**

Source: Roland Berger

HSAW market has been heavily relying on Saline Water Conversion Company (SWCC) and Saudi Aramco, representing 80-90% of the total HSAW demand between 2015 and 2019. SWCC is a key client based in KSA in charge of developing and managing the water production and transmission in the Kingdom. On the other hand, Saudi Aramco manages the oil & gas activities in the kingdom. Saudi Aramco and SWCC both require contractors to generate value locally (localization program) with local contents targets.

Table (3-14): Projects announced by client [% of total demand, 2015 – 2019]

	2015 – 2019
SWCC	56 - 66%
Saudi Aramco	23 - 31%
Other	11 – 17%

Source: Roland Berger

The HSAW demand is highly concentrated in few key projects (top 5 representing approximately 50% of the total demand) making players' bidding capabilities paramount. Concentration of projects is coming from KSA vast territories that require long pipelines and for the higher economic attractiveness of large scale projects (both in gas and water sectors). The water projects are mainly developed to link current cities with new desalination capacity (e.g. Yanbu desalination plant linked to Al Madinah). Apart from the projects included in the table 21, other projects have been announced recently such as Riyadh – Qassim WTS, Yanbu – Ruwais – Rabigh WTS, Jazan WTS and the Master Gas Pipeline project (phase 3), among others (total amounting to more than 1 m MT).

Table (3-15): Demand by projects [% of total demand in MT, 2015 - 2019]

	Client	Sector	2015 – 2019
Shoaiba WTS	SWCC	Water	13 – 17%
Master Gas System (phase 2)	Saudi Aramco	Oil & gas	8 – 12%
Ras Al Khair – Riyadh WTS	SWCC	Water	8 – 12%
Yanbu – Al Madinah WTS (Phase 3)	SWCC	Water	7 – 11%
Al Taif – Al Baha WTS	SWCC	Water	5 – 7%
Al Jubail - Al-Riyadh WTS	SWCC	Water	2 – 3%
Rabigh WTS	SWCC	Water	2 – 3%
Al Khobar WTL	SWCC	Water	1 – 2%
Makkah Strategic reservoir	SWCC	Water	1 – 2%
Other projects	Various	Various	40 – 50%

Source: Roland Berger

3-2-3 Historical supply

The HSAW competitive landscape analysis reveals key players' positioning across two key segments:

- Small to large diameter manufacturing capability with large scale capacity (above 0.3 m MT): Welspun ME and Group Five
- Small to medium diameter manufacturing capability with small scale capacity (below 0.3 m MT): National Pipe Co. and Kuwait Pipe Industries & Oil Services Company. In addition, 5 LSAW players are also competing in this segment (Arabian Pipe Company, Al Qahtani PCK, SeAH Steel Pipe Co., Global Pipe Co. and Al Jazira Pipe Industries & Oil Services Co.)

The small to medium diameter segment is highly competitive due to its larger number of players (7 HSAW and LSAW players). Welspun ME is part of the very few players combining large diameter capabilities in KSA with high production capacity. This positioning combined with a positive technical customer perception gives Welspun ME an edge for bids on water projects in KSA.

The GCC HSAW production capacity has been higher than demand, leading to a historical approximately 75% utilization of plants. On the other hand, LSAW capacity has an average utilization rate of 40%.

The difference in utilization rate is mainly explained by the drop in LSAW demand in the last 5 years from a high 1.2 m MT in 2016 to a low 0.7 m MT in 2019. The overcapacity in the small to medium segment generates a competitive pressure on small and medium-small diameters, mainly used in oil & gas.

Table (3-16): GCC welded pipe demand and production capacity [m MT, 2019]

	Demand	Production capacity
HSAW	0.99	1.35
LSAW	0.74	1.55
Total	**1.73**	**2.90**

Source: Roland Berger

Historically, GCC HSAW capacities have increased by approximately 10% driven by additional capacities from Welspun ME. Welspun ME is believed to be the only GCC based company with a fully integrated offering including coating and double joining.

Table (3-17): HSAW nameplate production capacity [m MT]

	2015	2019	% increase [2015 – 2019]
Welspun ME	0.30	0.38	27%
Group Five	0.40	0.40	0%
National Pipe Co.	0.24	0.24	0%
Other	0.29	0.33	14%
Total	**1.23**	**1.35**	**10%**

Source: Roland Berger

Welspun ME has become the HSAW market leader with approximately 50% of the market share in 2019. This leadership is due to several factors including Welspun ME's large portfolio of products (diameter range) and services (coating & double joining) and a positive customer perception.

In terms of diameter range, the GCC market is especially driven by the medium-large (from 60 inches to 90 inches, approximately 60% of the market) and the medium-small diameter (from 30 inches to 60 inches, approximately 30% of the market). Moreover, the medium-small diameter is mainly driven by oil & gas projects, while the medium-large is mainly attributable to water projects.

3-2-4 Price evolution

Prices in the GCC have overall remained stable during the 2015 – 2019 period based on a stable supply & demand. The slight price increase in 2016-2018 is explained by a slight increase in HR coil price (from 0.34 k USD/MT in 2016 to 0.50 k USD/MT). During the last year, a slight reduction in price has taken place (approximately 7%). This is due to higher production capacities, mainly coming from Welspun ME.

Table (3-18): HSAW prices, HR coil prices (yearly average prices) and capacity surplus (capacity minus demand)

	Unit	2015	2016	2017	2018	2019
HSAW prices	[k USD/MT]	1.05	0.93	0.97	1.02	0.95
HR coil prices	[k USD/MT]	0.35	0.34	0.41	0.50	0.49
Capacity surplus	[m MT]	0.27	0.31	0.31	0.31	0.36

Source: Roland Berger

4- Background of the Company and the Nature of its Business

4-1 Overview of the Company

East Pipes Integrated Company for Industry is a mixed closed joint stock company pursuant to Ministerial Resolution No. 7 dated 05/02/1442H (corresponding to 22/09/2020G), registered in Dammam under the commercial register of No. 2050071522 dated 22/07/1431H (corresponding to 04/07/2010G). Its registered address is at the Second Industrial City in Dammam, P. O. Box 12943, Dammam 31483, Saudi Arabia.

Pursuant to its commercial registration, the Company's activities include manufacture of pipes, manufacture of pipes, tubes and hollow shapes from iron and steel, and Manufacture of tubes, pipes, hollow forms, and pipes and tubes connections. According to its Bylaws, the Company's activities inlcude manufacture of pipes, steel, manufacture of pipes, tubes and hollow shapes from iron and steel, manufacture of tubes, pipes, hollow forms, and pipes and tubes connections, and processing and painting metals be refinement and polishing.

The Company holds Industrial License No. 161 dated 21/01/1440H (corresponding to 01/10/2018G), which enables it to manufacture spiral-welded steel pipes with diameters of 18 to 120 inches, and Industrial License No. 1587 dated 20/06/1441H (corresponding to 25/02/2019G), which enables it to carry out pipe coating and pipe connections with cement.

The Directors declare that no material change in the nature of the Company's business is contemplated as of the date of this Prospectus.

4-1-1 Ownership Structure

The Company's current share capital is two hundred ten million Saudi Riyals (SAR 210,000,000) divided into twenty-one million (21,000,000) ordinary cash shares with a nominal value of ten Saudi Riyals (SAR 10) each. The following table sets out Company's current ownership structure.

Table (4-1): The Company's Ownership Structure as of the Date of this Prospectus

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Overall Nominal Value (SAR)	Ownership %	Number of Shares	Overall Nominal Value (SAR)	Ownership %
Welspun Holding	10,502,101	105,021,010	50.01%	7,351,471	73,514,710	35.01%
Aziz Company	5,985,000	59,850,000	28.50%	4,189,500	41,895,000	19.95%
Vision Invest	3,464,999	34,649,990	16.50%	2,425,499	24,254,990	11.55%
Mohawarean	1,047,900	1,047,900	4.99%	733,530	7,335,300	3.49%
Public	-	-	-	6,300,000	63,000,000	30%
Total	**210,000,000**	**210,000,000**	**100%**	**210,000,000**	**210,000,000**	**100%**

Source: The Company

The following table sets out the Company's Substantial Shareholders by direct ownership as of the date of this Prospectus.

Table (4-2): The Company's Substantial Shareholders by Direct Ownership as of the Date of this Prospectus

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Overall Nominal Value (SAR)	Ownership %	Number of Shares	Overall Nominal Value (SAR)	Ownership %
Welspun Holding	10,502,101	105,021,010	50.01%	7,351,471	73,514,710	35.01%
Aziz Company	5,985,000	59,850,000	28.50%	4,189,500	41,895,000	19.95%
Vision Invest	3,464,999	34,649,990	16.50%	2,425,499	24,254,990	11.55%
Total	**19,952,100**	**199,521,000**	**95.1%**	**13,966,470**	**139,664,700**	**66.51%**

Source: The Company

The following table sets out the Company's Substantial Shareholders by indirect ownership as of the date of this Prospectus (for further information, please refer to Section 4-1-3 "**Overview of Selling Shareholders**" of this Prospectus).

Table (4-3): The Company's Substantial Shareholders by Indirect Ownership as of the Date of this Prospectus

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Overall Nominal Value (SAR)	Ownership %	Number of Shares	Overall Nominal Value (SAR)	Ownership %
Balkrishan Gopiram Goenka	4,726,785	47,267,850	22.51%	3,309,033	33,090,330	15.76%
Saleh Mohammed Hamad AlHammadi	2,992,500	29,925,500	14.25%	2,094,750	20,947,500	9.98%
Mohammed Abdullah Mohammed AlMansour	1,092,109	10,921,090	5.20%	746,476	7,644,760	3.64%
Total	**8,811,394**	**88,113,940**	**41.96%**	**6,168,259**	**61,672,590**	**29.38%**

* Balkrishan Gopiram Goenka owns 50.02% of Welspun Corp Ltd., which owns 89.98% of Welspun Mauritius Holdings Ltd., which in turn owns 50.01% of the Company's shares.

** Saleh Mohammed AlHammadi owns 50.0% of Aziz Company for Contracting & Industrial Investment, which in turn owns 28.5% of the Company's shares.

*** Mohammed Abdullah Mohammed AlMansour owns 65% of Mohawarean International Group, which owns 100% of the Saudi Global Energy, which in turn owns 80% of Al-Haitam for Industries and Economic Development, which in turn owns the following: (1) an interest of 10.02% in Welspun Mauritius Holdings Ltd., which in turn owns 50.01% of the Company's shares, and (2) 100% of Mohawarean Industrial Services Co., which in turn owns 4.99% of the Company's shares.

Source: The Company

4-1-2 Company History and Evolution of the Company's Share Capital

A. Incorporation (Jumada II 1431H, corresponding to May 2010G)

The Company was incorporated as a limited liability company on 16/06/1431H (corresponding to 30/05/2010G) under the name Pipe Development for Pipe Manufacturing Company. At its incorporation, the Company's paid-up share capital was five hundred thousand Saudi Riyals (SAR 500,000) divided into fifty thousand (50,000) cash shares with a nominal value of ten Saudi Riyals (SAR 10) each. The following table sets out the Company's ownership structure at incorporation.

Table (4-4): The Company's Ownership Structure at Incorporation

Shareholders	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Ownership %
Aziz Company	33,250	10	332,500	66.5%
Arabian Company for Water and Power Development (ACWA Power)	16,750	10	137,500	33.5%
Total	**50,000**	**10**	**500,000**	**100%**

Source: The Company

B. Change of Ownership (Sha'ban 1431H, corresponding to August 2010G)

On 06/08/1431H (corresponding to 10/08/2010G), the Arabian Company for Water and Power Development (ACWA Power) transferred ownership of all its sixteen thousand, seven hundred fifty (16,750) shares in the Company to Aziz European Pipes Factory Company ("**Aziz Factory**"). Aziz Company transferred ownership of all its thirty-three thousand, two hundred fifty (33,250) shares, of which thirty thousand, seven hundred fifty-five (30,755) shares were transferred to Aziz Factory, and two thousand, four hundred ninety-five (2,495) shares were transferred to Mohawarean, in accordance with the shareholders' resolution to amend the articles of association on 06/08/1431H (corresponding to 10/08/2010G). The following table sets out the Company's ownership structure following this change.

Table (4-5): The Company's Shareholding Structure Upon Incorporation

Shareholders	No. of Shares	Nominal Value per Share (SAR)	Total Nominal Value of Shares (SAR)	Ownership %
Aziz Factory	47,505	10	475,050	95.01%
Mohawarean	2,495	10	24,950	4.99%
Total	**50,000**	**10**	**500,000**	**100%**

Source: The Company

C. Increase of the Company's capital (Dhu al-Qi'dah 1431H, corresponding to October 2010G)

On 09/11/1431H (corresponding to 17/10/2010G), the Company's capital was increased from five hundred thousand Saudi Riyals (SAR 500,000) to seventy-six million, forty-six thousand, eight hundred seventy-five Saudi Riyals (SAR 76,046,875), divided into seventy-six million, forty-six thousand, eight hundred seventy-five (76,046,875) shares. The nominal value of the shares was reduced to a value of one Saudi Riyal (SAR 1) each. The increase of seventy-five million, five hundred forty-six thousand, eight hundred seventy-five Saudi Riyals (SAR 75,546,875) was covered through in-kind shares provided by the shareholders. The following table sets out the ownership structure of the Company following this capital increase.

Table (4-6): The Company's Ownership Structure on 09/11/1431H (corresponding to 17/10/2010G)

Shareholders	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Ownership %
Aziz Factory	72,252,136	1	72,252,136	95.01%
Mohawarean	3,794,739	1	3,794,739	4.99%
Total	**76,046,785**	**1**	**76,046,875**	**100%**

Source: The Company

D. Name Change and Change of Ownership Structure (Dhu'l-Hijjah 1431H, corresponding to November 2010G)

In Dhu'l-Hijjah 1431H (corresponding to November 2010G), Aziz Factory transferred ownership of thirty-eight million, thirty-one thousand, forty-two (38,031,042) of its shares in the Company to Welspun Holding, which entered as a new partner in the Company. In addition, the Company's name was changed to Welspun Middle East Pipes Company. The following table set out the Company's ownership structure after the transfer.

Table (4-7): The Company's Ownership Structure on 18/12/1431H (corresponding to 24/11/2010G)

Shareholders	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Ownership %
Welspun Holding	38,031,042	1	38,031,042	50.01%
Aziz Factory	34,221,094	1	34,221,094	45%
Mohawarean	3,794,739*	1	3,794,739*	4.99%
Total	**76,046,875**	**1**	**76,046,875**	**100%**

* The number of shares included in the amended articles of association notarized under Number 6, Page 6 of Volume 16 dated 18/12/1431H (corresponding to 24/11/2010G) is three hundred seventy-nine thousand, four hundred thirty-nine (379,439). This is a typo and the correct number of shares is three million, seven hundred ninety-four thousand, seven hundred thirty-nine (3,794,739) shares with a total nominal value of three million, seven hundred ninety-four thousand, seven hundred thirty-nine Saudi Riyals (SAR 3,794,739).

Source: The Company

E. Change of Ownership (Rabi' I 1441H, corresponding to November 2019G)

In Rabi' I 1441H (corresponding to November 2019G), Aziz Factory transferred ownership of twentyone million, six hundred seventy-three thousand, three hundred sixty (21,673,360) of its shares in the Company to Aziz Company and twelve million, five hundred forty-seven thousand, seven hundred thirty-four (12,547,734) of its shares in the Company to Vision Invest pursuant to the share transfer agreement dated 09/05/1440H (corresponding to 15/01/2019G). The following table sets out the Company's ownership structure after this change.

Table (4-8): The Company's Ownership Structure on 06/03/1441H (corresponding to 03/11/2019G)

Shareholders	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Ownership %
Welspun Holding	38,031,042	1	38,031,042	50.01%
Aziz Company	21,673,360	1	21,673,360	28.50%
Vision Invest	12,547,734	1	12,547,734	16.50%
Mohawarean	3,794,739	1	379,439	4.99%
Total	**76,046,875**	**1**	**76,046,875**	**100%**

Source: The Company

F. Merger with Welspun Coating (Dhu al-Qi'dah 1441H, corresponding to July 2020G)

The shareholders of the Company resolved on 21/09/1441H (corresponding to 14/05/2020G) to approve the merger of Welspun Coating with all its assets, rights, liabilities and obligations into the Company in exchange for one hundred three million, two hundred seventy-two thousand, four hundred nineteen Saudi Riyals (SAR 103,272,419) in addition to obtaining the works and customers of Welspun Coating. Such merger was completed on 30/11/1441H (corresponding to 21/07/2020G). The following table sets out the Company's ownership structure after the merger.

Table (4-9): The Company's Ownership Structure on 30/11/1441H (corresponding to 21/07/2020G)

Shareholders	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Ownership %
Welspun Holding	38,031,042	1	38,031,042	50.01%
Aziz Company	21,673,360	1	21,673,360	28.50%
Vision Invest	12,547,734	1	12,547,734	16.50%
Mohawarean	3,794,739	1	379,439	4.99%
Total	**76,046,875**	**1**	**76,046,875**	**100%**

Source: The Company

G. Conversion into a joint stock company and Company ownership structure after conversion (Safar 1442H, corresponding to September 2020G)

On 05/02/1442H (corresponding to 22/09/2020G), the Company was converted from a limited liability company to a joint stock company, pursuant to Ministerial Resolution No. 7 announcing such conversion, with a fully paid-up capital of seventy-six million, forty-six thousand, eight hundred eighty Saudi Riyals (SAR 76,046,880), divided into seven million, six hundred four thousand, six hundred eighty-eight (7,604,688) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share.

Table (4-10): The Company's Ownership Structure on 05/02/1442H (corresponding to 22/09/2020G)

Shareholder	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Ownership %
Welspun Holding	3,803,105	10	38,031,050	50.01%
Aziz Company	2,167,336	10	21,673,360	28.50%
Vision Invest	1,254,773	10	12,547,730	16.50%
Mohawarean	379,474	10	3,794,740	4.99%
Total	**7,604,688**	**10**	**76,046,880**	**100%**

Source: The Company

H. Change of the Company's name and increase of the Company's capital (Jumada I 1442H, corresponding to December 2020G)

On 13/05/1442H (corresponding to 28/12/2020G), the Extraordinary General Assembly approved the change of the Company's name to "East Pipes Integrated Company for Industry." The Company's capital was increased from seventy-six million, forty-six thousand, eight hundred eighty Saudi Riyals (SAR 76,046,880) to two hundred ten million Saudi Riyals (SAR 210,000,000) divided into twentyone million (21,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share. The increase of one hundred thirty-three million, nine hundred fifty-three thousand, one hundred twenty Saudi Riyals (SAR 133,953,120) was covered through capitalization of debts of the Company's Shareholders. The following table sets out the shareholding structure of the Company as of the date of this Prospectus:

Table (4-11): The Company's Ownership Structure as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Ownership %
Welspun Holding	10,502,101	10	105,021,010	50.01%
Aziz Company	5,985,000	10	59,850,000	28.50%
Vision Invest	3,464,999	10	34,649,990	16.50%
Mohawarean	1,047,900	10	1,047,900	4.99%
Total	**21,000,000**	**10**	**210,000,000**	**100%**

Source: The Company

4-1-3 Overview of Selling Shareholders

A. Welspun Holding

Welspun Holding is a private company limited by shares licensed as a Category 1 Global Business Company in the Republic of Mauritius under License No. C108006159 dated 06/06/1429H (corresponding to 10/06/2008G). The following table sets out Welspun Holding's ownership structure as of the date of this Prospectus:

Table (4-12): Welspun Holding's Ownership Structure as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal Value per Share (USD)	Overall Nominal Value (USD)	Ownership %
Welspun Corp Limited	102,089	1	102,089	89.98%
Al-Haitam for Industries and Economic Development	11,366	1	11,366	10.02%
Total	**113,455**	**1**	**113,455**	**100%**

Source: The Company

Welspun Corp Limited is an Indian public joint stock company. The following table sets out Al-Haitam for Industries and Economic Development's ownership structure as of the date of this Prospectus:

Table (4-13): Al-Haitam for Industries and Economic Development's Ownership Structure as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Ownership %
Saudi Global Energy	800	1,000	800,000	80%
FirstStar	200	1,000	200,000	20%
Total	**1,000**	**1,000**	**1,000,000**	**100%**

Source: The Company

Saudi Global Energy is wholly owned by Mohawarean International Group. The following table sets out Mohawarean International Group's ownership structure as of the date of this Prospectus:

Table (4-14): Mohawarean International Group's Ownership Structure as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Ownership %
Mohammed Abdullah Mohammed AlMansour	6,500	1,000	6,500,000	65%
Mohammed AlOthman Holding Company	3,500	1,000	350,000	35%
Total	**10,000**	**1,000**	**10,000,000**	**100%**

Source: The Company

In addition, FirstStar is wholly owned by Mohammed Al-Othman Holding Company. The following table sets out Mohammed Al-Othman Holding Company's ownership structure as of the date of this Prospectus:

Table (4-15): Mohammed Al-Othman Holding Company's Ownership Structure as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Ownership %
Mohammed Abdulrahman Abdullah Al-Othman	1,000	1,000	1,000,000	100%
Total	**1,000**	**1,000**	**1,000,000**	**100%**

Source: The Company

B. Aziz Company

Aziz Company is a joint stock company registered in the commercial register of Riyadh under No. 1010004249 dated 23/09/1387H (corresponding to 25/12/1967G). The following table sets out Aziz Company's ownership structure as of the date of this Prospectus:

Table (4-16): Aziz Company's Ownership Structure as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Ownership %
Saleh Mohammed Al-Hamadi	250,000	10	2,500,000	50%
Abdulaziz Mohammed Ali AlShumaisy	62,500	10	625,000	12.5%
Saad Mohammed Ali Al-Shumaisy	62,500	10	625,000	12.5%
Abdullah Mohammed Ali Al-Shumaisy	62,500	10	625,000	12.5%
Mohammed Ali Mohammed Al-Shumaisy	7,813	10	78,130	1.5626%
Abdulrahman Ali Mohammed Al-Shumaisy	7,813	10	78,130	1.5626%
Abdulaziz Ali Mohammed AlShumaisy	7,813	10	78,130	1.5626%
Saad Ali Mohammed AlShumaisy	7,813	10	78,130	1.5626%
Sarah Abdulaziz Othamn Al-Othman	3,906	10	39,060	0.7812%
Hend Abdulrahman Hamad Al-Hamadi	3,906	10	39,060	0.7812%
Nourah Ali Mohammed AlShumaisy	3,906	10	39,060	0.7812%
Nada Ali Mohammed AlShumaisy	3,906	10	39,060	0.7812%
Nouf Ali Mohammed AlShumaisy	3,906	10	39,060	0.7812%
Reem Ali Mohammed AlShumaisy	3,906	10	39,060	0.7812%
Rasha Ali Mohammed AlShumaisy	3,906	10	39,060	0.7812%
Lama Ali Mohammed AlShumaisy	3,906	10	39,060	0.7812%
Total	**500,000**	**10**	**5,000,000**	**100%**

Source: The Company

C. Vision Invest

Vision Invest is a joint stock company registered in the commercial register of Riyadh under No. 1010178941 dated 07/05/1423H (corresponding to 17/07/2002G). The following table sets out Vision Invest's ownership structure as of the date of this Prospectus:

Table (4-17): Vision Invest's Ownership Structure as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Ownership %
Abdulkadir AlMuhaidib and Sons Company	20,000,000	10	200,000,000	50%
Abdullah Abunayyan Trading Company	20,000,000	10	200,000,000	50%
Total	**40,000,000**	**10**	**400,000,000**	**100%**

Source: The Company

Abdulkadir Al-Muhaidib and Sons Company is wholly owned by Amwal Al-Ajial Holding Company. The following table sets out Amwal Al-Ajial Holding Company's ownership structure as of the date of this Prospectus:

Table (4-18): Amwal Al-Ajial Holding Company's Ownership Structure as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Ownership %
Sulaiman Abdulkadir AlMuhaidib	135,000	10	1,350,000	27%
Essam Abdulkadir AlMuhaidib	135,000	10	1,350,000	27%
Emad Abdulkadir AlMuhaidib	135,000	10	1,350,000	27%
Luluwah Sulaiman AlMudaihim	25,000	10	250,000	5%
Tamadhor Abdulkadir AlMuhaidib	17,500	10	175,000	3.5%
Awatif Abdulkadir AlMuhaidib	17,500	10	175,000	3.5%
Mariam Abdulkadir AlMuhaidib	17,500	10	175,000	3.5%
Haifa Abdulkadir AlMuhaidib	17,500	10	175,000	3.5%
Total	**500,000**	**10**	**5,000,000**	**100%**

Source: The Company

The following table sets out Abdullah Abunayyan Trading Company's ownership structure as of the date of this Prospectus:

Table (4-19): Abdullah Abunayyan Trading Company's Ownership Structure as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Ownership %
Saad Abdullah Abunayyan	1,590	1,000	1,590,000	7.95%
Abdulaziz Abdullah Abunayyan	1,590	1,000	1,590,000	7.95%
Ibrahim Abdullah Abunayyan	1,590	1,000	1,590,000	7.95%
Khalid Abdullah Abunayyan	1,590	1,000	1,590,000	7.95%
Mohammed Abdullah Abunayyan	1,590	1,000	1,590,000	7.95%
Abdulelah Abdullah Abunayyan	1,590	1,000	1,590,000	7.95%
Riyadh Abdullah Abunayyan	1,590	1,000	1,590,000	7.95%
Rakan Abdullah Abunayyan	1,590	1,000	1,590,000	7.95%
Mounira Ibrahim Abunayyan	1,252	1,000	1,252,000	6.26%
Noura Al-Madi	1,252	1,000	1,252,000	6.26%
Salwa Abdullah Abunayyan	796	1,000	796,000	3.98%
Sarah Abdullah Abunayyan	796	1,000	796,000	3.98%
Nawal Abdullah Abunayyan	796	1,000	796,000	3.98%
Maha Abdullah Abunayyan	796	1,000	796,000	3.98%
Raeda Abdullah Abunayyan	796	1,000	796,000	3.98%
Ruba Abdullah Abunayyan	796	1,000	796,000	3.98%
Total	**20,000**	**1,000**	**20,000,000**	**100%**

Source: The Company

D. Mohawarean

Mohawarean is a single-member limited liability company registered in the commercial register of Khobar under No. 2051042589 dated 03/05/1431H (corresponding to 17/04/2020G). The following table sets out Mohawarean's ownership structure as of the date of this Prospectus:

Table (4-20): Mohawarean's Ownership Structure as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Ownership %
Al-Haitam for Industries and Economic Development*	500	1,000	500,000	100%
Total	**500**	**1,000**	**500,000**	**100%**

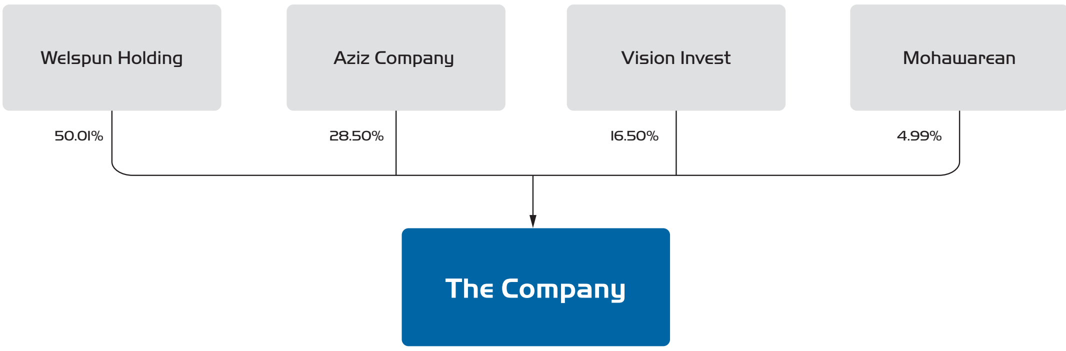
* For more information about Al-Haitam for Industries and Economic Development's ownership structure, please refer to Section 4-1-3 (A) "**Welspun Holding**" of this Prospectus.

Source: The Company

4-1-4 Organizational Structure

The following chart illustrates the Company's organizational structure and the Company's position within the group, as of the date of this Prospectus.

Figure (4-1): The Company's Organizational Structure as of the Date of this Prospectus



Source: The Company

4-2 Overview of the Company's Business

The Company manufactures "**HSAW**" pipes used in the water, oil, and gas industries. The main feature of HSAW Pipes is their wide diameter, which makes them suitable for use in transmission lines for both the water and oil and gas industries. Following the merger with Welspun Coating, the Company now operates three plants, providing complete pipe solutions to its customers, as follows:

- **The HSAW plant:** The HSAW Plant is one of the largest spiral pipe manufacturing facilities in the GCC. The HSAW Plant was set up in 2006G with three production lines and was expanded in 2019G when the fourth mill entered into operation, enhancing the nominal production capacity of the HSAW Plant from three hundred thousand metric tons (300,000 MT) per annum to three hundred seventy-five metric tons (375,000 MT) per annum. The HSAW Plant is one of two plants in the GCC that have the capability to manufacture pipes with an outer diameter ranging from 20 inches to 100 inches with a high production capacity (above 0.3 MT);

- **The "DJ Plant":** The DJ Plant was set up in 2014G to join single pipes to produce a pipe with a length of up to 26 meters. The DJ Plant has the capacity to handle outer diameters between 20 to 60 inches which are suitable for most typical wall thicknesses that range from 6 mm to 50.8 mm. The annual production capacity of the DJ Plant is about three hundred fifty thousand metric tons (350,000 MT); and

- **The "Coating Plant":** The Coating Plant was set up in 2011G as a standalone unit; it was then combined with the HSAW Plant to provide external anti-corrosion coating through a triple layer of polyethylene, polypropylene, or high performance epoxy primer. The nominal production capacity of the Coating Plant is 4 million sqm per annum. The capability of the Coating Plant ranges from an outer diameter of 2 inches to 120 inches and a length of up to 26 meters pipes.

The Company has a strong presence in the Saudi market, with fully integrated spiral pipe manufacturing facilities combining HSAW Pipe manufacturing with double-jointing and coating. The Company has modern, sophisticated manufacturing equipment with advanced laboratory testing facilities with international standards and accredited by the International Organization for Standardization ("ISO"), and it is equipped with the latest inspection and testing technologies. Accordingly, the Company is capable of providing a complete pipe products solution to its customers. Furthermore, the Company's large production capacity enables it to deliver solutions for long-distance pipelines without subcontracting, giving it an additional competitive advantage over other manufacturers.

The Company has significantly increased its market share in the last two years by winning large water projects with the "**SWCC**" (for further details, please refer to Section 4-3-4 (A) "**Top Customers**" of this Prospectus), boosting its position as a market leader. Additionally, it is a key supplier to the oil and gas industry, having completed major projects in the past such as the Qatif to Ras Tanura pipeline, the Yanbu to North Jeddah pipeline and the crude transit line from North Kuwait.

4-2-1 Summary of Material Events

The following table sets out a summary of material events in the Company's business:

Table (4-21): Summary of the Company's Material Events

Date	Milestone
2010G	The Company and Welspun Coating were incorporated and started their operations
2011G	The HSAW Plant was set up with a nominal production capacity of 300,000 MT per annum
2011G	The Coating Plant was set up with a nominal production capacity of 4 million sqm per annum
2014G	The DJ Plant was set up with a nominal production capacity of about 350,000 MT based on a pipe size of 48-inch (ODX) 14.28 mm
2018G	The Company was awarded the Rabigh-Jeddah water transmission project with SWCC, the Shoibah-Mina (Line B) water transmission project with Al-Rashid Trading & Contacting Company and the Hardh Field Gas Pipeline project with Saudi Aramco
2019G	The Company implemented the Jubail-Riyadh water transmission project and the Yanbu-Madina water transmission project (Phase IV) with SWCC, the Jubail III water transmission project with Al-Rashid Trading & Contacting Company and the pipeline in Neom City with Mutlaq Al Ghowari Contracting Company
2019G	Completion of fourth pipe production machine to increase nominal production capacity to 375,000 MT per annum
2020G	Signed Aramco framework agreement for supply of HSAW Pipes to Saudi Aramco
2020G	Initiated collaboration with one of the Company's customers to manufacture HSAW Pipes for sour gas and oil applications
2020G	The Company was awarded two new pipeline projects with Saudi Aramco
2020G	Completion of Welspun Coating's merger into the Company
2020G	The Company's name was changed from "Welspun Middle East Pipes" to "East Pipes Integrated Company for Industry"
2020G	The Company's capital was increased to SAR 210,000,000

Source: The Company

4-2-2 The Company's Vision and Mission

Satisfy customers through innovation and technology, achieve inclusive and sustainable growth in order for the Company to remain eminent 'across its business.

4-2-3 Competitive Advantages

A. Fully Integrated State-of-the Art Manufacturing Facility

The Company has fully integrated advanced manufacturing facilities located in the Second Industrial City in Dammam. These include the HSAW Plant, DJ Plant and Coating Plant, which enable the Company to provide its customers with complete pipe solutions.

B. Leading Production Capacity in the Kingdom with the Ability to Produce Various Types of Pipes

The Company's HSAW Plant has a nominal production capacity of three hundred seventy-five thousand metric tons (375,000 MT) per annum. The HSAW Plant is also capable of increasing its actual production capacity to five hundred thousand metric tons (500,000 MT) if orders received in a given year are all for the largest outer diameter and thickness that the HSAW Plant can produce, making the Company one of the largest domestic manufacturers of HSAW Pipes in the Kingdom and the GCC. Additionally, the Company's product range includes pipes with outer diameters ranging from 20 inches to 100 inches, thicknesses ranging from 6.35 mm to 25.4 mm and lengths up to 18.2 meters.

Production scale and a wide product range gives the Company the ability to fulfil large orders on its own without having to sub-contract, thus giving it an advantage in the bidding process with major customers such as SWCC and Saudi Aramco that have a preference for manufacturers with the ability to execute orders without sub-contracting.

Additionally, scale gives the Company an advantage in costs through more favorable procurement terms and management of overheads.

C. Relationships with Key Customers

The Company has a focus on business development and has strong relationships with major customers for HSAW Pipes, such as SWCC and Saudi Aramco. The Company works with SWCC and Saudi Aramco to understand their project activity and demand for pipes in terms of quantities and technical specifications (for further information about the Company's top customers for pipes, see Section 4-3-4 (A) "**Top Customers**" of this Prospectus). It plans its own operations accordingly and is, therefore, closely aligned with its key customer requirements. This has resulted in the award of the Saudi Aramco Framework Agreement to the Company. As a result of the Company's focus on business development and client relationships, the Company's market share of HSAW Pipes in the Kingdom increased to approximately 50% in 2019G.

D. Strategic Location with Expansion Potential

The Company's manufacturing facilities are located in the Second Industrial City in Dammam on land measuring two hundred twenty-three thousand square meters (223,000 sqm), providing ample room to undertake further expansions. The Company's strategic location gives it access to major customers such as Saudi Aramco, which is located approximately thirty (30) km from the Company's manufacturing facility.

Additionally, the Company's headquarters is in close proximity to Saudi Iron and Steel Company (Hadeed), which is a supplier of raw materials to the Company, and is near King Abdulaziz Port in Dammam and Jubail Commercial Port, through which major raw materials such as Hot-Rolled Steel Coils are imported. The Company's location provides easy access to customers, local suppliers and ports, which gives the Company a logistical advantage.

E. Price Competitiveness

The Company is able to utilize its scale, logistical advantage and operational efficiency to maintain a high degree of price competitiveness. This is important to the Company given that it obtains most of its purchase orders through a competitive bidding process in accordance with technical and financial criteria.

4-2-4 Strategy

The Company's strategy is based on maintaining its competitive advantage by leveraging its manufacturing capability, business development efforts and price competitiveness to be the supplier of choice in the rapidly evolving market in the Kingdom. The main components of the Company's strategy are:

A. Maintaining the Company's Manufacturing Advantage through Investment in Plants, Processes and People

The Company seeks to foster a culture of engineering excellence and invests significantly in its manufacturing capabilities, comprising:

- **Plants:** The Company regularly invests in its manufacturing capabilities and currently has a large integrated capacity (including pipe manufacturing, double-jointing and coating), which can provide complete pipe solutions to customers. It undertook an expansion in 2019G by increasing its nominal production capacity from three hundred thousand metric tons (300,000 MT) to three hundred seventy-five thousand metric tons (375,000 MT) per annum. The Company deals with leading original equipment manufacturers (OEMs) and has installed advanced equipment in its facility, such as a digital radiography and welding system with auto stick-out control. The Company's manufacturing plants have obtained quality certifications such as ISO 9001:2015, API 5L, API Spec Q1, ISO 9001:2015), ISO 45001:2018, ISO 14001:2015 and ISO/IEC 17025:2017, which require a very high degree of manufacturing capability and process control (for more information about the Company's quality certifications, please refer to Section 4-3-6 (B) "**Quality Certifications**" of this Prospectus);
- **Processes:** In addition to plants and machinery, the Company has comprehensive production processes which are regularly reviewed and vetted to improve safety, productivity and efficiency. Each of the processes is well defined, documented and interlinked with the enterprise resource planning system (SAP ERP), which has been designed and implemented over years of experience, benefiting from the knowledge gained. As a part of production planning, key performance indicators are well defined for every project and are monitored continuously, which results in steel yield, coating material consumption, plant uptime and safety index of the highest standard in the pipe industry; and
- **Employees:** The Company has a workforce highly qualified in their respective fields. The Company attaches great importance to its employees and conducts regular training to enhance their skill levels and enrich their knowledge on the latest engineering developments. Each employee is expected to complete training courses every year as part of their development. Training programs are conducted in-house and in certain cases by external providers such as suppliers of equipment. Employee training is monitored by the Company's human resources department and reported regularly to the Company's Board.

B. Developing Best-in-Class Pipe Solutions for Customers

The Company works continuously with its customers to understand their requirements and to provide them with the most suitable high-quality pipe solutions. The Company is certified to produce pipes of grades up to API 5L X-80, which are suitable for midstream water and oil and gas transmission. The Company has submitted a proposal to one of its customers whereby it is establishing the technical feasibility of using HSAW Pipes for sour gas applications, a new service to be provided by the Company. If successful, this initiative will create a new market for HSAW Pipes and open up the sour gas market to the Company, which is currently supplied by LSAW Pipe manufacturers. Notably, the LSAW Pipe demand in the Kingdom is approximately 0.56 million tons (i.e., approximately 70% of the GCC's LSAW market of 0.7 million tons) (for more information on the LSAW market, please refer to Section 3-2"**GCC & KSA market overview**" of this Prospectus).

C. Cost Management to Lead in Competitive Pricing

The Company carefully manages its costs and overheads in order to remain highly competitive in bidding for new orders, particularly from government and government-owned entities such as SWCC and Saudi Aramco. Areas of cost management include:

- **Manufacturing efficiency:** The Company aims to maintain a high raw material yield through procuring quality raw materials, plant maintenance, plant upgrades and process controls. By virtue of its advanced equipment, robust processes and continuous review and monitoring systems, the Company operates at a raw material yield that is higher than industry standards, which in turn gives the Company an edge over its competitors;
- **Procurement:** The Company benefits from its scale to receive more competitive raw material prices than some of its competitors by obtaining bulk discounts based on order quantity; and

- **Administrative expenses:** The Company closely monitors and manages its operating and administrative expenses to ensure efficiencies that result in higher margins, affording it the flexibility and ability to be competitive in pricing bids for new orders. The Company has successfully managed manufacturing costs as follows:
  - While HSAW revenue increased at a CAGR of 147.7% between the financial years ended March 31, 2018G and March 31, 2020G, the HSAW Plant's conversion costs increased at a CAGR of 15.1% over the same period; and
  - While coating revenue increased at a CAGR of 88.3% between the financial years ended March 31, 2018G and March 31, 2020G, the Coating Plant's conversion costs increased at a CAGR of 15.2% over the same period.

D. Taking Advantage of the Kingdom's National In-Country Procurement Initiatives to Bolster the Local Market

The government of the Kingdom and its related state-owned-entities have introduced a number of initiatives directed towards procurement from local manufacturers to promote domestic industries such as local content programs and the in-Kingdom Total Value Add (IKTVA) Program. CompanyLocal manufacturers such as the Company benefit from these programs, as customers in the Kingdom allocate more of their procurement to domestic manufacturers. The Company has been able to position itself as a leading domestic manufacturer. The Company's market share of HSAW Pipes in the Kingdom has increased from 15% in 2015G to approximately 50% in 2019G.

E. Exploring New Opportunities in the Evolving Market in the Kingdom

The market in the Kingdom is rapidly evolving due to the government's emphasis on economic reforms and non-oil sector growth. These initiatives are creating opportunities for the Company to grow further. The Kingdom's Vision 2030 Program includes initiatives such as the National Transformation Program (NTP), the National Industrial Development and Logistics Program (NIDLP), the Housing Program and the Financial Sector Development Program (FSDP), which will create opportunities for the Company through new infrastructure projects (such as new cities, housing, power generation, water desalination and gas pipelines), increased private sector involvement with the government, promotion of local manufacturing and increased financing capability (for more information on initiatives under the Vision 2030 Program and its impact on the Company, please refer to Section 3-2-1 (C) "**Government expenditure and budget reduction**" of this Prospectus).

Furthermore, the Kingdom's Council of Ministers has recently approved the privatization of SWCC. As a result, a portion of future water pipeline projects is expected to be independent water transmission projects (pipelines built and operated by private companies) under Saudi Water Partnership Company (SWPC). The privatization of the Kingdom's water sector and the increasing involvement of the private sector in pipeline development provides opportunities for the Company, including through joint ventures and partnerships, to grow into particular areas such as development, financing, "EPC "and operation and maintenance.

In addition, HSAW Pipes are not used in the Kingdom for sour gas applications, although they are used countriesfor such in a number of countries throughout the world, including in the GCC. The Company has submitted a proposal to one of its customers to conduct a joint study of the feasibility of using HSAW Pipes for sour gas applications. Under this study, the Company will procure steel and manufacture and test HSAW Pipes according to sour gas application requirements to establish the manufacturing process. Once the proposal, including the manufacturing process, is approved by the customer, the Company will be able to enter the sour gas market, which is currently supplied by LSAW Pipe manufacturers. Notably, the LSAW Pipe demand in the Kingdom is approximately 0.56 million tons (i.e., approximately 70% of the GCC's LSAW market of 0.7 million tons).

F. Exploring New Markets Where Feasible

The Company also seeks export opportunities where these are feasible. During the financial year ended March 31, 2016G, the Company exported ninety-one thousand, five hundred forty-two metric tons (91,542 MT) of pipes to Group Carso in North America.

4-2-5 Future Outlook

The Company ended financial year 2021G with a strong backlog, including the following:

- Orders for HSAW Pipes of around two hundred thousand metric tons (200,000 MT), with a value in excess of SAR 700 million; and
- Coating orders of more than 1.7 million sqm, with a value in excess of SAR 40 million.

It expects to deliver most of its current backlog in the financial year 2022G, which means a significant portion of its production capacity for the financial year 2022G is already booked through the current backlog. In addition, the Company continues to bid for new orders that add to its backlog. Additionally, the Company's current future orders are over three hundred eighty thousand metric tons (380,000 MT), with a value of more than SAR 750 million. Such potential orders cover both the water and oil and gas sectors. These potential orders are subject to final pricing and approval by the respective customers until the relevant contracts or purchase orders become final.

In addition, the Company is bidding for a number of new projects, which the Company is competing with other bidders on. The prospective orders and active bids, if successful, will result in the continued development of the Company's backlog and utilization of the Company's manufacturing capacity for the foreseeable future. The Company also expects that backlog will be further supported by new upcoming water projects announced in the Kingdom for which bids will be solicited later, in addition to the orders received from Saudi Aramco under the Aramco Framework Agreement, which took effect on 08/08/1441H (corresponding to 01/04/2020G), under which the Company has started receiving orders.

It should also be noted that the company's key customers, particularly Saline Water Conversion Corporation and Saudi Aramco, delayed the launch of new projects and delayed the awarding of contracts previously tendered until the date of issuing this Prospectus, which negatively affected the volume of new orders during 2021, which in turn will negatively affect the Company's revenues and profitability for the fiscal year ended March 31, 2022.

The Company is also considering the opportunities that will arise through the privatization of SWCC in areas such as EPC operation, maintenance, development, and financing contracts. The Company may also participate in future opportunities in these areas on its own or by collaborating with other entities specialized in these fields. Additionally, the Company is currently evaluating the feasibility of using HSAW Pipes for sour gas applications and has submitted a proposal to a customer. If this proposal is accepted, the Company may also be able to supply HSAW Pipes for sour gas applications. Currently, LSAW Pipes are used for sour gas applications. The LSAW market in the Kingdom was approximately 0.56 million MT in 2019G.

4-3 Overview of the Company's Operations

The Company's operations consist of three main activities, namely (i) manufacturing of HSAW Pipes; (ii) double-jointing of pipes; and (iii) coating of pipes.

4-3-1 Manufacturing of HSAW Pipes

HSAW Pipes are commonly known as spiral pipes. This type of pipes are extensively used around the world for transportation of gas, oil, water and piling applications because of their resistance and durability. In the Kingdom, HSAW Pipes are favored due to their quality combined with price competitiveness relative to other type of pipes. HSAW Pipes are manufactured through submergedarc welding, which is a process that produces coalescence of metals by heating them with an arc or arcs between a coated metal consumable electrode or electrodes and the pipe. The arc and molten metal are shielded by a blanket of granular, fusible material (flux) on the pipe. Pressure is not used, and part or all of the filler metal is obtained from the electrode.

A. Products and Production Capacity

The HSAW Plant has a nominal production capacity of three hundred seventy-five thousand metric tons (375,000 MT) per annum. It should be noted that the actual production capacity of the HSAW Plant is not static and is closely linked to the diameter of the pipes produced. Capacity can increase to five hundred thousand metric tons (500,000 MT) in one year if the orders received in such year require producing pipes with the largest outer diameter and thickness that the HSAW Plant can actually produce, as the greater the thickness and diameter, the higher the actual production capacity. Accordingly, in financial year 2020G, the Company mainly manufactured pipes with an outer diameter of 80 to 88 inches and was able to produce four hundred eighty-four thousand, one hundred ninety-three metric tons (484,193 MT).

The HSAW Plant is capable of producing pipes with a length that can range up to 18.2 meters, with wall thickness from 6.0 mm to 25.4 mm and an outer diameter from 20 inches to 100 inches. The HSAW Plant can produce pipes with grades up to API X80. The following table sets out details of the HSAW products.

Table (4-22): HSAW Products

Product	Outer Diameter	Thickness	Grade	Length
HSAW Pipes	From 20" to 100"	From 6.35 mm to 25.4 mm	API 5L B to X-80	Up to 18.20 m

Source: The Company

The Company has supplied HSAW Pipes to customers which have been utilized mainly for midstream oil and gas and water transportation. The Company's commitments and efforts have led to the production of high-quality pipes that comply with international and local standards. Since its inception, the Company has worked to develop its relationship with key customers such as SWCC and Saudi Aramco through high-quality products and a proven track record of executing large projects on schedule.

B. The HSAW Plant

The HSAW Plant is located in the Second Industrial City in Dammam. The HSAW Plant has two main production lines: (i) one standalone production line (a two-step spiral mill ("**SPM**")) with one forming and three offline welding systems complete with a finishing line; and (ii) a second production line with three forming and online welding lines with a common finishing line. Both production lines have modern and sophisticated manufacturing equipment equipped with the latest technologies, including:

- All HSAW Plant forming lines are equipped with an automated laser-control seam-tracking system, supplied by U&S (Germany);
- Two-step mill (SPM 1) with a speed of up to 8 meters/minute, supplied by Schuler (Germany), equipped with an automatic digitally-controlled, spatterless GMAW system for the offline mill;
- Separate coil ultrasonic testing, with 100% coverage of coil width, supplied by Sofratest (France);
- A high-speed strip-edge milling machine, supplied by Linsinger (Austria) for SPM 1 and by Jaewon (South Korea) for SPMs 2, 3 and 4;
- Advanced fifth-generation submerged arc welding equipment with auto stick out control, supplied by U&S (Germany);
- Advanced ultra-sonic machines for final weld testing, supplied by GE (Germany) for SPM 1 and by Sofratest (France) for SPMs 2, 3 and 4;
- Complete pipe traceability by SAP ERP: ECC 6 and bar code, from pipe formation until pipe dispatch;
- A fully equipped ISO 17025 certified laboratory with advanced machines, supplied by Instron (United States of America) and Zuick (Germany); and
- A customized intelligent plant framework system for coil ultrasonic testing, hydro testing, auto ultrasonic testing (AUT) and lab equipment to avoid human intervention for test data interpretation and test report generation.

The below table sets out details of the products, nominal production capacity and annual actual production of the HSAW Plant.

Table (4-23): The HSAW Plant

Product	Location	Nominal Production Capacity Per Annum (MT)	Annual Actual Production 2019G (MT)	Annual Actual Production 2020G (MT)	Actual Annual Production 2021G (MT)
HSAW Pipes	Second Industrial City, Dammam	375,000*	271,003	484,193	250,877

* The actual manufacturing capacity of the HSAW Plant is not static and is closely linked to the diameter of the pipes produced. Actual capacity can increase to five hundred thousand metric tons (500,000 MT) per annum if the orders received in a given year are all for the largest outer diameter and thickness that the HSAW Plant can actually produce. In the financial year ended March 31, 2020G, the Company mainly manufactured pipes with diameters of 80 inches and was able to produce four hundred eighty-four thousand, one hundred ninety-three metric tons (484,193 MT).

Source: The Company

The HSAW Plant has four (4) mills. The last expansion was completed in 2019G when the fourth mill was installed, raising nominal production capacity from three hundred thousand metric tons (300,000 MT) per annum to three hundred seventy-five thousand metric tons (375,000 MT).

Table (4-24): HSAW Pipe Manufacturing Mills

Line	Nominal Production Capacity (MT)	Annual Actual Production 2019G (MT)	Annual Actual Production 2020G (MT)	Actual Annual Production 2020G (MT)	Actual Production First Half of 2021G (MT)
SPM 1	150,000	139,593	203,636	57,306	84,092
SPM 2	75,000	55,867	93,531	33,575	55,526
SPM 3	75,000	60,735	92,119	33,616	55,263
SPM 4	75,000	14,808	94,907	32,792	55,996

Source: The Company

Actual productivity may be higher than the nominal capacity because the nominal capacity measures the productivity of the plant under fixed and specific data. However, actual production is what the plant actually produces in response to changing data that includes different diameters and thicknesses of pipes according to the Company's separate orders. There is a positive correlation between the actual productivity and the diameter and thickness of the pipes. The greater the thickness and diameter is, the higher the measure of the actual productivity will be. The following table sets out the actual daily capacity of the mills (metric tons) based on the sizes of the 17.3m long HSAW Pipes:

Table (4-25): Actual Daily Capacity (MT) of the Mills

		Thickness (mm)					
		10	12	16	17	18	25
Diameter Outer (inch)	20	414	-	-	-	-	-
	30	607	703	810	-	-	-
	48	728	853	961	968	996	726
	56	705	823	951	948	971	716
	72	722	837	965	946	1001	693
	80	751	869	991	1009	1021	771
	88	-	854	955	966	1022	707
	100	-	-	982	988	1046	724

Source: The Company

The Company maintains strong relationships with leading local and international original equipment manufacturers (OEMs) and is able to draw on these relationships to enhance its manufacturing capability.

C. Raw Materials

Raw materials used in the manufacturing process include Hot-Rolled Steel Coils, flux and wire. The Hot-Rolled Steel Coils are locally sourced from Saudi Iron and Steel Company (Hadeed) or imported from international sources, including, but not limited to, suppliers in the United Arab Emirates, Korea and China, depending on required specifications.

Imported Hot-Rolled Steel Coils are exempt from custom duties for those specifications that are not available in the Kingdom and, therefore, cannot be locally sourced. This exemption is provided by the Ministry of Industry and Mineral Resources on a project-need basis to all consumers of Hot-Rolled Steel Coils.

Hot-Rolled Steel Coils are subjected to visual and dimensional inspection as per the Company's approved procedures, which seek to ensure the quality of the procured raw materials. Hot-Rolled Steel Coils are then stored in the Company's warehouse and issued to production upon request.

D. Manufacturing Processes

The process for manufacturing HSAW Pipes can be broadly divided into four main stages, as follows:

1) **Forming and Welding Stage:** Pipes are formed from hot-rolled steel coil. Prior to commencement of the forming process, the spiral mill is set to the required helix angle. The helix angle is determined from the input coil width and the diameter of the pipe to be formed. The major components of this machine are (i) entry line, consisting of decoiler, leveler and edge miller, (ii) forming table, and (iii) pipe run-out table with pipe cut-off stand. After proper levelling and milling of edges, the coil is formed into a pipe. The forming is carried out by three (3) sets of forming rolls: one set of rolls in the inner side of the pipe and two sets at the outer side of the pipe as in standard three-roll pipe forming. During the forming process, the edges are welded together to retain the shape of the pipe. The continuously formed pipe is cut to the required length using a flying plasma cutting machine installed at the pipe run-out table.

   The pipe passes from the forming stage to the welding stage where a fully automatic submerged-arc welding ("**SAW**") process is performed to ensure best quality. The welding is performed from both sides of the pipe. All machines are equipped with a two- or three-wire tandem welding system with automatic flux handling. Depending on pipe wall thickness and bevel geometry, single or multiple wire SAW is applied. All the welding systems are equipped with a real-time data logging system and an automatic laser tracking system.

2) **Finishing Stage:** Once the pipes are fully welded and inspected visually, they are subjected to hydrostatic pressure testing at a required pressure and end beveling for site welding. Finishing Stage is common for SPMs 2, 3 and 4.

3) **Testing and Inspection Stage:** Finished pipes are tested and inspected per the specification requirements using an X-ray (film digital radiography), ultrasonic testing, mechanical or chemical testing, and visual and dimensional inspection.

4) **Storage Stage:** In this stage, each pipe is given a unique bar code to enable complete pipe traceability by the Company's enterprise resource planning system (SAP). The pipes are arranged thereafter and stored in the pipes yard.

The Company closely monitors its manufacturing efficiency at each stage and measures this primarily through the raw material yield for each project. In general, the Company seeks to maintain a raw material yield of at least 95.0%, although this may vary from project to project depending on the type of pipe being produced. By virtue of its advanced equipment, robust processes and continuous review and monitoring systems, the Company has a raw material yield that is higher than the industry standards.

E. Transportation and Delivery

Most of the Company's customers are responsible for picking up the Company's products from its manufacturing facilities. In certain instances, the Company delivers its products to customers across the Kingdom by contracting with transportation providers operating in the country. In addition, the Company contracts with transportation providers for the delivery of its raw materials (for more information about agreements entered into with third-party transportation providers, please refer to Section 12-4-2 "**Transport Agreements**" of this Prospectus). The shipment department coordinates with the said providers and requests trucks based on the required daily shipment destination, where they follow up on the shipments until they reach their final destination.

F. Projects

The Company has significantly increased its market share in the Kingdom (for more information, please refer to Section 3-2 "**GCC & KSA market overview**" of this Prospectus) and received a number of high value projects from important customers such as SWCC, Saudi Aramco, as well as from EPC contractors working on key water and oil and gas infrastructure projects. The following table sets out details of the Company's HSAW Pipe orders in the financial years ended March 31, 2018G, 2019G, 2020G, and 2021G:

Table (4-26): The Company's HSAW Pipe Projects as at 2019G, 2020G and 2021G

Year	Open Orders (before 2019G)			New Orders		Delivery in 2019G		Delivery in 2020G		Delivery in 2021G		Order Backlog	
	Industry	Quantity (MT)	Value (SAR million)	Quantity (MT)	Value (SAR million)	Quantity (MT)	Value (SAR million)	Quantity (MT)	Value (SAR million)	Quantity (MT)	Value (SAR million)	Quantity (MT)	Value (SAR million)
2019G	Water	-	-	560,147	2,009	49,560	187.1	301,619	1,089.6	209,516	734	-	-
	Oil & gas	-	-	29,933	110	-	0.7	23,438	88	10.1	-	6,484.8	21
	Subtotal	**-**	**-**	**590,080**	**2,119**	**49,560**	**187.8**	**325,057**	**1,178**	**209,526**	**734**	**6,485**	**21**
2020G	Water	-	-	7,580	14	-	-	7,580	14	-	-	-	-
	Oil & gas	-	-			-	-	-	-	-	-	-	-
	Subtotal	**-**	**-**	**7,580**	**14**	**-**	**-**	**7,580**	**14**	**-**	**-**	**-**	**-**
2021G	Water	-	-	120,791	402	-	-	-	-	-	-	120,791	402
	Oil & gas	-	-	88,643	348	-	-	-	-	17.92	58.1	71,551	290
	Subtotal	**-**	**-**	**209,434**	**750**	**-**	**-**	**-**	**-**	**17,091.8**	**58.1**	**192,342**	**692**
Total		**392,132**	**1,024**	**807,094**	**2,883**	**506,517**	**685**	**505,517**	**1,640**	**260,793**	**871.5**	**199,266**	**713**

Source: The Company

4-3-2 Double-Jointing of Pipes

A. Products and Production Capacity

The DJ Plant provides double jointing services, where it joins two single-length pipes to give a double-jointed pipe with a length of up to 26 meters.

The DJ Plant has the capacity to handle pipes with diameters from 20 inches to 60 inches for most typical wall thicknesses ranging from 6.35 mm to 50.80 mm. The annual nominal production capacity of the DJ Plant is about three hundred fifty thousand metric tons (350,000 MT). The following table sets out details of the double-jointing products and services.

Table (4-27): Double-Jointing

Products/Services	Nominal Capacity	Outer Diameter	Thickness	Grade	Length
Double Jointing	45,000 JPA of 56" OD X 16 mm wall thickness	From 20" to 60"	From 6.35 mm to 50.8 mm	API 5L B to X-80	From 10 m to 26 m

Source: The Company

B. The DJ Plant

The DJ Plant is located in the Company's manufacturing complex in the Second Industrial City in Dammam. The following table sets out details of the products and services and annual actual production of the DJ Plant.

Table (4-28): The DJ Plant

Product	Location	Annual Actual Production 2019G (JPA)	Annual Actual Production 2020G (JPA)	Annual Actual Production 2021G (JPA)
Double-Jointing	Second Industrial City, Dammam	5,088	7,092	2,787

Source: The Company

C. Manufacturing Processes

The double-jointing process involves three main stages, as follows:

- Pipes as received are beveled and then two pipes are tack welded.
- In the second stage, the pipes are full welded from inside, as well as from outside, using the submerged-arc welding process.
- The last stage is inspection and testing, where welded pipes are visually and radiographically inspected for specification compliance.

The DJ Plant mainly provides services internally to the HSAW Plant and does not have direct customers.

D. Raw Materials

The raw materials used in the manufacturing process are Hot-Rolled Steel Coils, flux and wire. HotRolled Steel Coils are locally sourced from the Saudi Iron and Steel Company (Hadeed) or imported from international sources including but not limited to suppliers in the United Arab Emirates, Korea, China and Russia, depending on the required specifications.

4-3-3 Coating (Formerly Welspun Coating)

Prior to the merger of Welspun Coating into the Company (for more information, please refer to Section 4.1.2 f "**Merger with Welspun Coating (Dhu al-Qi'dah 1441H, corresponding to July 2020G)**" of this Prospectus), the coating operations were performed by Welspun Coating. After the merger between the Company and Welspun Coating, pipe coating operations became part of the Company's activities.

Pipeline coating is a cost-effective and practical solution to maintain the integrity of pipelines. Coating helps provide a constant protective lining that helps save pipelines from the damaging effects of mechanical abrasion and corrosion on pipeline operation, capacity and costs. Pipeline coating is considered one of the most reliable corrosion prevention methods used today by industries worldwide, providing the following advantages:

- It decreases cost of energy, as coated pipelines create a material difference in minimizing the compression cost and pumping over the lifespan of a pipe; and
- It minimizes the need for inhibitors and facilitates the clean delivery of the product (water or gas), which can consequently serve as a cost-effective and low-maintenance option for corrosion control.

A. Products and Production Capacity

The Company's coating operations provide the following types of pipe coating services:

- **External 3-Layers Polyethylene (3LPE):** A polyethylene coating is composed of three-layer anti-corrosive steel pipe coatings. The first layer consists of a fusion-bonded epoxy (FBE), which offers corrosion protection as it bonds very well with the blasted steel surface. The second layer is the copolymer adhesive which is a maleic anhydride grafted polyethylene compound, and the third layer consists of a Polyethylene, which is used as a protection against any physical damage.
- **Polypropylene Systems (3LPP):** 3-Layer Polypropylene (3LPP) is a multilayer coating composed of three functional components; a high-performance FBE primer, followed by a copolymer adhesive, and an outer layer of polypropylene which provides one of the toughest, most durable pipe coating solutions available. 3LPP systems provide excellent pipeline protection for small and large diameter pipelines at high operating temperatures.

- **Single and Dual layer Fusion Bonded Epoxy (FBE/DFBE):** Coating the pipe with epoxy resin protects the metal against further corrosion, making a permanent barrier. It also prevents lead and other materials from entering the water carried in the pipe. Because the metal is coated, none of these contaminants can enter the water transmitted through the pipe.

The following table sets out details of the coating products and services.

Table (4-29): Coating

Products/Services	Nominal Capacity	Outer Diameter	Thickness	Grade	Length
External Coating	4.5 million sqm per annum	2" to 120" (external coating)	N/A	N/A	From 10 m to 26 m

Source: The Company

B. The Coating Plant

The Coating Plant is located in the Second Industrial City in Dammam, in close proximity to the HSAW Plant. The Coating Plant is well suited to handling all pipe sizes and has a nominal production capacity of 4.5 million sqm per annum. The following table sets out details of the products, nominal production capacity and annual actual production of the Coating Plant.

Table (4-30): The Coating Plant

Product	Location	Capacity (SQM)	Annual Actual Production 2019G (SQM)	Annual Actual Production 2020G (SQM)	Annual Actual Production 2021G (SQM)
External Coating	Second Industrial City, Dammam	4,500,000	824,208.0	2,521,229.0	1,289,945

Source: The Company

C. Raw Materials

The raw materials used in the coating processes are epoxy powder, adhesive and high-density polyethylene (only for 3LPE coating) and 3-layer polypropylene, which are procured locally or imported from various international sources, including, but not limited to, suppliers in the United Arab Emirates, Korea and China, based on the required specifications and price.

D. Coating Processes

Once the pipes are released for coating, they are cleaned both inside and outside with a high-pressure water jet to remove any dirt, oil or grease from their surfaces. Then, the pipes are polished using special equipment to obtain the desired surface for coating. Pipes are visually checked for the degree of cleanliness and surface finish. Inspected pipes are then taken to the coating application line wherein the first step is to acid wash the surface. Then, the pipe surface is heated in an induction-heating oven to the desired temperature for the epoxy application. Depending on the customer's specifications (i.e., whether the coating is a standalone FBE coating or 3LPE or 3LPP coating), adhesive, then polyethylene or polypropylene, as the case may be, is applied over the FBE.

E. Projects

The Company has completed projects for a number of important customers, such as Saudi Aramco, Jotun Powder Coatings Saudi Arabia and a number of contractors working on major infrastructure projects. Prior to the merger between the Company and Welspun Coating, the Company was also a major customer of Welspun Coating. After completion of the Merger, these are considered internal services and are part of the Company's integrated pipe solutions offered to its customers. The following table sets out details of the Company's coating orders in the financial years ended March 31, 2019G, 2020G and 2021G (formerly through Welspun Coating):

Table (4-31): The Company's Pipe Coating Projects in 2019G, 2020G and 2021G

Year	Open Orders (before 2018G)			New Orders		Delivery in 2019G		Delivery in 2020G		Delivery in 2021G		Order Backlog	
	Industry	Quantity (m²)	Value (SAR million)	Quantity (m²)	Value (SAR million)	Quantity (m²)	Value (SAR million)	Quantity (m²)	Value (SAR million)	Quantity (m²)	Value (SAR million)	Quantity (m²)	Value (SAR million)
2019G	Water	-	-	2,390,360	139	64,274	4.6	1,939,094	113	386,992	22.2	1	-
	Oil & gas	-	-	72,278	3	-	-	71,519	3	411	-	349	-
	Subtotal	**-**	**-**	**2,462,639**	**143**	**64,274**	**4.6**	**2,010,613**	**116**	**387,403**	**22.2**	**350**	**-**
2020G	Water	-	-	311,912	18	-	-	74,613	4	235,975	14	1,324	0.1
	Oil & gas	-	-	677,661	24	-	-	-	-	351,233	13.2	326,428	10
	Subtotal	**-**	**-**	**989,573**	**42**	**-**	**-**	**74,613**	**4**	**587,208**	**27.2**	**327,752**	**10**
2021G	Water	-	-	1,344,220	59	-	-	-	-	687,095	35	657,125	24
	Oil & gas	-	-	722,836	12	-	-	-	-	781	0.1	722,055	12
	Subtotal	**-**	**-**	**2,067,056**	**70**	**-**	**-**	**-**	**-**	**687,876**	**35.1**	**1,379,180**	**35**
Total		**50**	**1,120,597**	**5,519,268**	**255**	**955,188**	**46.8**	**2,108,778**	**122**	**1,667,094**	**84.6120**	**1,707,281**	**46**

Source: The Company

4-3-4 Sales and Marketing

A. Top Customers

The Company's sales and marketing department is responsible for developing relationships with all customers and meeting their requirements. The Company's main pipe customers are SWCC and Saudi Aramco. The Company either supplies them directly or sells to EPC contractors working on SWCC and Saudi Aramco's infrastructure projects.

Table (4-32): Top Pipe Customers as of March 31, 2019G, 2020G and 2021G

#	Customer	Percentage of Pipe Revenue (2019G)	Percentage of Pipe Revenue (2020G)	Percentage of Pipe Revenue (2021G)
1.	SWCC	82.47%	85.14%	91.4%
2.	Al Qaryan Group	2.20%	1.48%	1.6%
3.	Mutlaq Alghowari For Contracting Limited	2.50%	7.30%	-
4.	Saudi Aramco	1.47%	5.10%	6.5%
5.	Group Five Pipe Saudi	0.03%	0.35%	-

Source: The Company

For pipe coating, the Company's main customers are pipe consumers, third-party pipe manufacturers, and construction contractors. Prior to the merger with Welspun Coating, the Company was also a major customer of Welspun Coating. After completion of the merger, coating is now a service provided by the Company.

Table (4-33): Top Coating Customers as of March 31, 2019G, 2020G and 2021G

#	Customer	Percentage of the Company's Annual Revenue (2019G)	Percentage of the Company's Annual Revenue (2020G)	Percentage of the Company's Annual Revenue (2021G)
1.	Al-Rashid Trading & Contracting Co.	-	77.1%	65.8%
2.	Saudi Aramco	66.83%	3.63%	17.2%
3.	Mutlaq Al Ghowairi for Contracting Co.	-	2.20%	16.2%
4.	Al-Qaryan Group	0.23%	0.31%	0.7%
5.	The Company (prior to merger with Welspun Coating)	30.23%	16.73%	0.04%

Source: The Company

This demand from customers is mainly related to water and oil and gas projects. Population increases and urbanization drives the demand for water pipes, whereas oil and gas is a strategic industry for the Kingdom. Saudi Aramco is responsible for developing and maintaining the Kingdom's oil and gas infrastructure, and its spending plans are developed over the long term while taking into account the fluctuations in oil price. Overall, the Kingdom's Vision 2030 is expected to be a key driver for demand in the local market.

The Company's sales and marketing department works closely with customers to understand their future requirements, upcoming projects and the technical and financial criteria for each project. This focus on customers is one of the reasons for the significant increase in the Company's market share for HSAW Pipes. Some of the recent projects completed that were awarded to the Company after submitting its bid are the 720 kilometer Rabigh-Jeddah-Makkah water transmission system, the 412 kilometer Jubail-Riyadh water transmission system and the 238 kilometer Shoaiba water transmission system. The Company is also a supplier for Saudi Aramco's master gas project and recently signed the Aramco Framework Agreement. The Aramco Framework Agreement sets out the key terms and conditions including the pricing formula for supply of HSAW Pipes and coating services to Saudi Aramco.

B. Bidding Process and Direct Orders

Most of the orders received from customers are received through a bidding process. The Company is an approved supplier to SWCC and Saudi Aramco and receives requests for quotations (RFQs) from the respective project owners, which may be SWCC or Saudi Aramco directly or their nominated EPC contractors. Bids submitted by the Company are decided primarily on the basis of technical and financial criteria. Technical criteria include capacity, delivery time, quality, complete solution, subcontracting requirement and after-sales service.

In certain instances, the Company also receives direct orders from customers. These orders are placed primarily with suppliers who have the capability to meet the customers' requirements in terms of specifications and quantity within a relatively short period of time. The Company's large production capacity provides it a competitive advantage with respect to these direct orders.

4-3-5 Inventory Management and Distribution

The Company manages its raw material inventory among the Company's plants in accordance with demand and supply schedules for contracted projects. The Company generally maintains a raw material inventory that is sufficient for forty-five (45) days of operations. The Company purchases raw materials from approved local and international suppliers who go through an extensive technical assessment prior to being approved as a vendor for the Company. Once a customer order is received by the Company, it places raw material purchase orders with vendors based on quality, quantity, availability, price and delivery time. Imported raw materials are usually delivered in 2-3 months, as they are shipped by sea. Raw materials are covered by the Company's insurance policy during transit. On arrival, raw material deliveries go through a thorough quality inspection prior to being stored in the

Company's warehouses, which have a capacity of one hundred thousand metric tons (100,000 MT). Raw materials are then issued to the operations department, based on requisitions related to customer orders. All raw materials received are recorded and tracked through the inventory management module of SAP.

Finished products are stored at the Company's manufacturing complex, as well as the storage yard measuring six hundred thousand square meters (600,000 sqm) located in the Second Industrial City in Dammam.

4-3-6 Quality Control

The Company is committed to quality and has developed detailed written policies where it aims to maintain its leadership position by embedding the highest standards of quality-management system in each segment of HSAW Pipes with or without jointers, including the application of anti-corrosion coating on its pipes by using a process and risk-based approach.

It should be noted that, in addition to the Company's quality assurance processes, the Company's manufacturing is also monitored by third-party inspectors appointed by customers. These inspectors are present on-site for the duration that the Company manufactures the customer's order.

A. Key Performance Indicators

The Company has a defined set of performance indicators that it monitors regularly. The following table sets out the Company's key performance indicators:

Table (4-34): Key Performance Indicators for Quality Control

#	KPI	Measurement	Frequency	Remarks
1	Safety	Numbers	Monthly	To improve the safety of working conditions
2	Production plan	Time limit	Monthly	To manufacture or coat pipes as per the dispatch schedule
3	Raw material availability	Numbers	Project specific	To manufacture or coat pipes as per the production plan
4	Production/Coating as per plan	Numbers	Monthly	To meet the dispatch requirements
5	First time right	Numbers	Monthly	To enhance the efficiency of production and coating processes
6	Yield	Numbers	Project specific	Focus on rejection, process rework, etc. to maximize yield
7	Coating raw material consumption	Numbers	Project Specific	To minimize the coating material wastage
8	Plant up time	Numbers	Monthly	To increase plant productivity
9	Logistics including storage	Numbers	Monthly	To improve equipment utilization
10	Dispatch	Numbers	Monthly	To meet the delivery schedule
11	Invoicing	Time limit	Monthly	To generate cash flow

Source: The Company

B. Quality Certifications

The production and manufacturing processes comply with the international quality standards set by the International Organization for Standardization (ISO). The Company has received certifications from International Organization for Standardization (ISO)and other quality and standards accreditation entities. The following table sets out the details of such certifications.

Table (4-35): The Company's Quality Certifications

#	Certification	Issuing Authority	Description	Issue Date	Expiry Date
1.	API 5L: Pipes	American Petroleum Institute	Authority to use the official API monogram	27/10/1438H (corresponding to 21/07/2017G)	03/01/1445H (corresponding to 21/07/2023G)
2.	API Spec Q1: Pipes	American Petroleum Institute	API specification Q1	05/09/1441H (corresponding to 28/04/2020G)	03/01/1445H (corresponding to 21/07/2023G)
3.	ISO 9001:2015	American Petroleum Institute Quality Registrar (APIQR)	Quality management system	05/09/1441H (corresponding to 28/04/2020G)	03/01/1445H (corresponding to 21/07/2023G)
4.	ISO 14001:2015	Intertek Certifica-tions Limited	Management system	22/09/1439H (corresponding to 06/06/2018G)	18/08/1445H (corresponding to 18/02/2024G)
5.	ISO 45001:2018	Intertek Certifica-tions Limited	Management system approval	09/09/1432H (corresponding to 09/08/2011G)	18/08/1445H (corresponding to 18/02/2024G)
6.	ISO 9001: Coating	Intertek Certifica-tions Limited	Management system/ application of anti-cor-rosion and coating	11/03/1441H (corresponding to 11/08/2019G)	13/05/1444H (corresponding to 07/12/2022G)
7.	ISO 14001 & OHSAS 1800: Coating	Lloyd's Register	Management system/ Coating plant	11/06/1439H (corresponding to 27/07/2018G)	17/11/1441H (corresponding to 08/97/2020G)*
8.	ISO/IEC 17025:2017 Coating	Emirates Interna-tional Accreditation Center (EIAC)	Construction product testing	29/07/1441H (corresponding to 24/03/2020G)	01/09/1444H (corresponding to 23/03/2023G)
9.	ISO/IEC 17025:2017 Spiral	Emirates Interna-tional Accreditation Center (EIAC)	Metallurgical testing	29/07/1441H (corresponding to 24/03/2020G)	01/09/1444H (corresponding to 23/03/2023G)

* The Company is in the process of renewing this certification as of the date of the Prospectus.

Source: The Company

4-3-7 Health, Safety and Environment

The Company has a strong focus on environmental protection, and health and safety. It has internal processes for monitoring, measuring and reporting a number of key indicators in this regard.

A. Health and Safety

The Company regularly monitors and reports its safety indicators measured through the number of actual incidents, near-miss incidents, fire incidents, lost time due to injury, medical treatment required and damages caused. All incidents and near-miss incidents are investigated thoroughly to determine their cause, and processes are enhanced to prevent future occurrence.

B. Environment

The Company seeks always to maintain compliance with the standards applicable pursuant to laws and regulations through obtaining all the permits and licenses issued from the government regulators. The Company periodically renews all environmental and safety permits for its plants, based on the internal regulations set for this purpose. The following table sets out the Company's environmental licenses:

Table (4-36): The Company's Environmental Licenses

#	Certification	Issuing Authority	Description	Issue Date	Expiry Date
1.	Environmental license to operate	General Authority of Meteorology and Environmental Protection Authority ("GAMEP")	Production of welded spiral tubes with diameters of 28-120 inches	12/02/1440H (corresponding to 21/10/2018G)	23/02/1442H (corresponding to 10/10/2020G)*
2.	Environmental license to operate	GAMEP	Pipe lining and coating	12/02/1440H (corresponding to 21/10/2018G)	23/02/1442H (corresponding to 10/10/2020G)*

* The Company is in the process of renewing this license. As of the date of this Prospectus, the renewal request is being considered by the General Authority of Meteorology and Environmental Protection.

Source: The Company

4-3-8 Research and Development

The Company undertakes research in several areas such as usage of local material in production, use of HSAW Pipes for new applications and developing pipe features to suit the specific requirements of customers. The Company has submitted a technical proposal to one of its customers for the joint study of the feasibility of using HSAW Pipes for sour gas application. Under this study, the Company will procure steel, and manufacture and test HSAW Pipes according to sour gas application requirements to establish the manufacturing process. The proposal involves:

- A detailed technical feasibility study to understand the behavior of HSAW Pipes by using hot-rolled coils produced from clean steel supplied by approved vendors;
- Evaluating the pipe manufacturing parameters and meeting the desired corrosion testing requirements, including the assessment of macro and micro residual stress of pipes; and
- Mechanical, chemical and corrosion testing.

Once the proposal, including the manufacturing process, is approved by the customer, the Company will be able to enter the sour gas market, which is currently supplied by LSAW Pipe manufacturers. LSAW Pipe demand in the Kingdom is approximately 0.56 million tons (i.e., approximately 70% of the GCC's LSAW market of 0.7 million tons).

4-4 Relationship with Welspun Corp Limited

Prior to the Offering, Welspun Corp Limited indirectly owns 44.99% of the Company's through its subsidiary Welspun Holding. Except for some technical and data hosting services (which, as of the date of this Prospectus, the Company seeks to transfer from Welspun Corp Limited so that technical services and data are outsourced), the Company does not rely on, nor collaborate with, Welspun Corp Limited in any technical or operational aspects of its business and the Company's operations are managed independently of Welspun Corp Limited. Therefore, Welspun Corp Limited (through Welspun Holding) is not a strategic investor in the Company.

4-5 The Company's Business Outside the Kingdom

While the Company has exported pipes to other countries in the past through its facility in the Kingdom, it does not have commercial activity outside the Kingdom and does not have overseas assets or offices.

4-6 Information Technology

The Company has invested heavily in robust technology in the areas of planning, execution and controls. SAP has been implemented in all the processes across locations. The Company also believes in being up-to-date and, therefore, is on the latest version of SAP with all the relevant modules. SAP tightly integrates all the layers of business, such as supply-chain management, production planning, operations, sales, maintenance, quality, finance, costing and projects. The Company is currently transferring its data from Welspun Corp Limited services and databases to the Company's independent servers and databases, which is expected to take several months.

The Company has implemented a disaster recovery strategy that takes care of many potential threats to the SAP environment (and, indirectly, the Company's business). The Company has a disaster recovery layer located in a separate seismic zone, which can be activated in a short time span in the event of a disaster impacting the primary site; thereby protecting the business from potential losses and irrecoverable damages.

The Company also continously updates and improves its working model by identifying potential risks and operational hazards that can hamper production, providing the required training for its employees and improving the existing information technology systems in terms of safety and recovery options.

4-7 Business Continuity

In March 2020G, the global outbreak of **COVID-19** was declared a global pandemic by the World Health Organization. The government of the Kingdom announced a number of precautionary measures aimed at limiting the spread of COVID-19 in the Kingdom, which included imposing travel bans and temporary curfews in all cities of the Kingdom, including a 24hour curfew in a number of cities, including Dammam, as well as the temporary closure of the Second Industrial City in Dammam, where the Company's plants are located ("**COVID-19 Measures**").

The Company was impacted by COVID-19 Measures, where the Company's manufacturing facilities were closed for a period of approximately ten (10) weeks from 29/07/1441H (corresponding to 24/03/ 2020G) until 14/10/1441H (corresponding to 06/06/2020G) due to the curfew and closure of the Second Industrial City in Dammam, and as a result of implementing the Ministry of Health's precautionary measures and physical distancing requirements. Upon the reopening of the Company's manufacturing plants, the Company imposed remote working plans and minimized the number of manpower resources in its facilities, to be in line with the Ministry of Health's directions. The Company also implemented certain measures, such as imposing physical distancing within the Company's facilities and employee housing, restricting visits to the Company's facilities and employee housing, monitoring employees' temperatures and setting up action plans for dealing with positive cases. COVID-19 Measures did not result in any material financial impact on the Company.

4-8 Suppliers

The Company relies on products provided by third party suppliers. Total purchases from suppliers were SAR 773.4 million, SAR 1,173.4 million, and SAR 551.7 million in 2019G, 2020G, and March 31, 2021G, respectively.

The following table sets out the basic information of the Company's major suppliers and the value of purchases paid to them in the financial years ended 2019G and 2020G, and March 31, 2021G:

Table (4-37): Major Suppliers and the Value of Purchases Paid to Them as at 2019G and 2020G, and March 31, 2021G

#	Customer	As at (2019G)		As at (2020G)		As at (March 31, 2021G)	
		Amount (SAR)	% of Total Purchases	Amount (SAR)	% of Total Purchases	Amount (SAR)	% of Total Purchases
1.	Saudi Iron and Steel Company (Hadeed)	462,207,466	59.8%	379,127,879	32.3%	141,319,354	25.6%
2.	Golden Source Steel Company	203,545,782	26.3%	444,137,551	37.9%	348,671,302	63.2%
3.	Daewoo International	76,964,135	10.0%	128,673,996	11.0%	0.0%	0.0%
4.	Putica Trade and Services	7,170,617	0.9%	7,305,387	0.6%	6,515,167	1.2%
5.	POSCO International	0.0%	0.0%	177,097,157	15.1%	26,050,853	4.7%
6.	Borouge Ltd.	0.0%	0.0%	0.0%	0.0%	23,574,830	4.3%
7.	**Total**	**773,405,879**	**100.0%**	**1,173,363,174**	**100.0%**	**551,676,569**	**100.0%**

Source: The Company

4-9 Employees

The Company received a certificate from the Ministry of Human Resources No. 20002107000271, dated 25/11/1442H (corresponding to 05/07/ 2021G), certifying that the Company is in compliance with the Saudization requirements required by the Company. Furthermore, as per the Nitaqat program implemented by the Ministry of Human Resources, the Company is in compliance with the nationalization requirements applicable to the Company as per its status with Nitaqat as of 04/12/1442H (corresponding to 14/07/2021G), which is Medium Green. The following table sets out the Company's compliance with the Saudization requirements applicable to the Company as per its status with Nitaqat dated 04/12/1442H (corresponding to 14/07/2021G).

Table (4-38): The Company's Nitaqat Status as of 04/12/1442H (corresponding to 14/07/ 2021G)

Average Number of Saudis	Average Percentage as per the Nitaqat Program	Nitaqat Classification
109	22.38	Medium Green

Source: The Company

The following table shows the number of the Company's employees over the past three years, with a breakdown of employees by the Company's main departments.

Table (4-39): The Company's Employees in the Financial Years Ended 2019G, 2020G and 2021G

#	Department	March 31, 2019G			March 31, 2020G			March 31, 2021G		
		Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total
1.	Production	31	165	196	30	157	187	33	153	186
2.	Quality Control	9	76	85	10	75	85	16	75	91
3.	Maintenance	8	46	54	10	49	59	5	34	39
4.	Electrical	9	27	36	9	27	36	5	19	24
5.	Human Capital and General Administration	36	21	57	41	19	60	48	24	72
6.	Logistics	2	36	38	2	36	38	2	35	37
7.	Other Departments	13	37	50	13	33	46	5	33	38
Total		**108**	**408**	**516**	**115**	**396**	**511**	**114**	**373**	**487**

Source: The Company

5- The Company's Organizational Structure

5-1 The Company's Ownership Structure

The following table sets out the Company's ownership structure pre- and post-Offering:

Table (5-1): The Company's Ownership Structure pre- and post- Offering

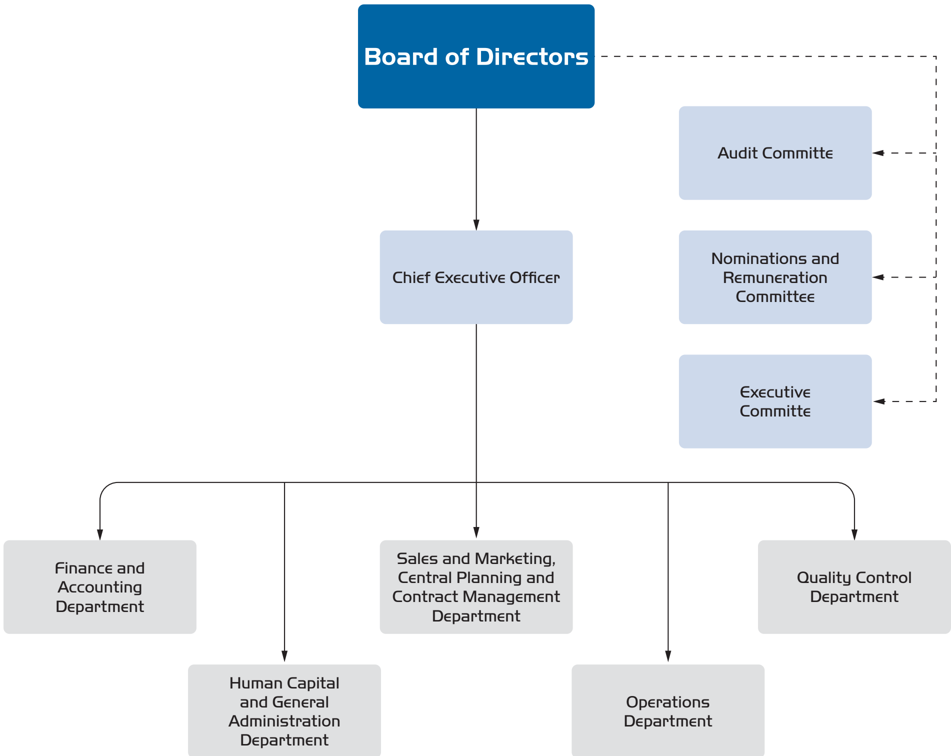
Shareholders	Pre-Offering			Post-Offering		
	Number of Shares	Nominal Value (SAR)	Percentage	Number of Shares	Nominal Value (SAR)	Percentage
Welspun Holdings	10,502,101	105,021,010	50.01%	7,351,471	73,514,710	35.01%
Aziz Company	5,985,000	59,850,000	28.50%	4,189,500	41,895,000	19.95%
Vision Invest	3,464,999	34,649,990	16.50%	2,425,499	24,254,990	11.55%
Mohawarean	1,047,900	1,047,900	4.99%	733,530	7,335,300	3.49%
Public	-	-	-	6,300,000	63,000,000	30%
Total	**21,000,000**	**210,000,000**	**100%**	**21,000,000**	**210,000,000**	**100%**

Source: The Company

5-2 Management Structure

The following chart illustrates the management structure of the Company, including the Board, its supervisory committees, and the functions of Executive Management members:

Figure (5-1): The Company's Management Structure



Source: The Company

5-3 Board of Directors

5-3-1 Composition of the Board

The Company is managed by a Board of Directors consisting of eight (8) Directors, including at least three (3) Independent Directors, appointed by the Ordinary General Assembly. The Company's Bylaws and internal corporate governance charters and the CGRs define the functions and responsibilities of the Board. The term for membership on the Board, including the Chairman, is a maximum of three (3) years, and Directors can be re-elected, unless otherwise provided for in the Company's Bylaws. The current term of the Board commenced on 04/02/1442H (corresponding to 21/09/2020G) for a period of five (5) years, since it is the Company's first Board after its conversion, based on the Companies Law and the Company's Bylaws.

The following table includes details of the Company's current Board as of the date of this Prospectus:

Table (5-2): Company's Board of Directors

#	Name	Position	Nationality	Age	Membership Status	Percentage of Direct Ownership		Percentage of Indirect Ownership		Date of Appointment
						Pre- Offering	Post-Offering	Pre- Offering	Post-Offering	
1	Omar Mohammad Nabil AlMidani	Chairman	Saudi	43 years	Non-Executive/ Non-Independent	-	-	-	-	08/05/1442H (corresponding to 23/12/2020G)
2	Balkrishan Gopiram Goenka	Vice Chairman	Indian	54 years	Non-Executive/ Non-Independent	-	-	22.51%*	15.76%	04/02/1442H (corresponding to 21/09/2020G)
3	Vipul Shiv Sahai Mathur	Director and Managing Director	Indian	50 years	Executive/ Non-Independent	-	-	0.002%**	0.001%	04/02/1442H (corresponding to 21/09/2020G)
4	Mohammed Saleh Mohammed Hamad AlHammadi	Director	Saudi	49 years	Non-Executive/ Non-Independent	-	-	-	-	04/02/1442H (corresponding to 21/09/2020G)
5	Ahmed Mubarak Mohammed Al-Debasi	Director	Saudi	62 years	Non-Executive/ Independent	-	-	-	-	04/02/1442H (corresponding to 21/09/2020G)
6	Suhail Amin Nathani	Director	United States of America	55 years	Non-Executive/ Independent	-	-	-	-	04/02/1442H (corresponding to 21/09/2020G)
7	Mohammed Abdulrahman Abdullah AlOthman	Director	Saudi	51 years	Non-Executive/ Non-Independent	-	-	4.8%***	3.36%	13/05/1442H (corresponding to 28/12/2020G)
8	Khalid Ibrahim Saad Al-Rabiah	Director	Saudi	59 years	Non-Executive/ Independent	-	-	-	-	14/02/1443H (corresponding to 21/09/2021G)

* Balkrishan Gopiram Goenka owns 50.02% of Welspun Corp Ltd., which owns 89.98% of Welspun Mauritius Holdings Ltd., which in turn owns 50.01% of the Company's shares.

** Vipul Shiv Sahai Mathur owns 0.004% of Welspun Corp Ltd., which owns 89.98% of Welspun Mauritius Holdings Ltd., which in turn owns 50.01% of the Company's shares.

*** Mohammed Abdulrahman Abdullah Al-Othman owns 100% of Mohammed Al-Othman Holding Company, which (1) owns 35% of Mohawarean International Group, which owns 100% of the Saudi Global Energy, which owns 80% of Al-Haitam for Industries and Economic Development, which in turn owns an interest of 10.02% in Welspun Mauritius Holdings Ltd., which in turn owns 50.01% of the Company's shares; (2) 100% of the First Star Company, which owns 20% of Al-Haitam for Industries and Economic Development, which in turn owns 10.02% of Welspun Mauritius Holdings Ltd., which in turn owns 50.01% of the Company's shares; and (3) 35% of Mohawarean International Group, which owns 100% of the Saudi Global Energy, which owns 80% of Al-Haitam for Industries and Economic Development, which owns 100% of Mohawarean Industrial Services, which in turn owns 4.99% of the Company's shares; and (4) 100% of the First Star Company, which owns 20% of Al-Haitam for Industries and Economic Development, which owns 100% of Mohawarean Industrial Services, which in turn owns 4.99% of the Company's shares.

Source: The Company

The Board Secretary is Mohammed Saleh Ali Darweesh, who was appointed to this position on 13/02/1443H (corresponding to 20/09/2021G) (for a summary of his resume, please refer to Section 5-3-6 "**Summary of the Resumes of Directors and Board Secretary**" of this Prospectus.

5-3-2 Responsibilities of the Board of Directors

The Board represents all Shareholders and it shall exercise its duty of care and duty of loyalty in the Company's management and observe its interests, development and maximize its value. The ultimate responsibility for the Company rests with the Board even if it sets up committees or delegates some of its powers to a third party. In all cases, the Board may not issue a general or indefinite delegation.

The responsibilities and powers of the Board include the following:

- Developing the Company plans, policies, strategies, and main objectives, periodically supervising their implementation and revision, and ensuring the availability of human and financial resources necessary to achieve them, including:
  - Developing, reviewing and directing the Company's comprehensive strategy, main business plans, risk management policies and procedures.
  - Determining the most appropriate capital structure for the Company, its strategies and financial objectives, and approving all types of estimated budgets.
  - Overseeing the Company's main capital expenditures and the acquisition or disposal of assets.
  - Setting performance indicators, and monitoring the implementation thereof and the overall performance of the Company.
  - Periodically reviewing and approving the Company's organizational and functional structures.
  - Verifying the availability of the necessary human and financial resources to achieve the Company's key objectives and plans.
- Setting rules and procedures for internal control and generally overseeing them, including:
  - Developing a written policy to address actual and potential conflicts of interest scenarios for each of the Directors, the Executive Management, and the Shareholders. This includes misuse of the Company's assets and facilities and mismanagement resulting from transactions with Related Parties.
  - Ensuring the integrity of the financial and accounting rules, including rules relating to the preparation of financial reports.
  - Ensuring the implementation of appropriate control procedures for risk assessment and management by generally forecasting the risks that the Company may encounter and creating an environment which is aware of the culture of risk management at the Company level and disclosing such risks transparently to the Stakeholders and parties related to the Company.
  - Reviewing the effectiveness of the Company's internal control procedures on an annual basis.
- Developing clear and specific policies, standards and procedures for Board membership and implementing them upon approval by the General Assembly.
- Developing a written policy governing the relationship with stakeholders.
- Developing policies and procedures to ensure compliance of the Company and Executive Management thereof with the laws and regulations and the obligation to disclose material information to Shareholders and stakeholders.
- Supervising the Company's financial affairs management, cash flows and financial and credit relations with third parties.
- Making recommendations to the Extraordinary General Assembly with respect to:
  - Increasing or decreasing the Company's share capital.
  - Dissolving the Company before the end of the term set out in its Bylaws or deciding its continuance.

- Making recommendations to the Ordinary General Assembly with respect to:
  - Using the Company's additional reserves if created by the Extraordinary General Assembly and if not designated for a specific purpose.
  - Creating additional financial reserves or provisions for the Company.
  - Method of distributing the Company's net profit.
- Developing the Company's interim and annual financial statements and approving them before publication.
- Preparing the Board's report and approve it before publication.
- Ensuring the data and information needed to be disclosed are accurate. This shall be done in accordance with applied policies and procedures of disclosures and transparency.
- Establishing effective communication channels to continuously and periodically enable Shareholders to have access to the Company's different activities and any substantial developments.
- Forming specialized committees of the Board by virtue of resolutions in which the Board determines the term authorities, and responsibilities of the committees and how to monitor the same. The formation resolution shall include the designation of the members and determination of their duties and rights, along with assessing performance and work of such committees and their members, except for the Audit Committee, which shall be formed by under a resolution by General Assembly.
- Determining types of compensation to the employees, such as fixed compensation and compensation related to performance as well as compensation in the form of shares in a manner consistent with the regulatory controls and procedures issued pursuant to the Company's Bylaws pertaining to listed joint-stock companies.
- Developing principles and standards that govern the business of the Company.

5-3-3 Chairman

The responsibilities and powers of the Chairman include the following:

- Ensuring Directors' timely access to full, clear, correct and non-misleading information.
- Ensuring that the Board discusses all the main issues in an efficient and timely manner.
- Representing the Company before third parties, as provided for by the companies law, its implementing regulations, and the Company's Bylaws.
- Encouraging the Directors to perform their functions effectively and to achieve the Company's interest.
- Creating effective communication channels with Shareholders and making their opinions heard to the Board.
- Encouraging constructive relations and active participation between the Board, Executive Management, and between the Executive members, Non-Executive members and Independent members and to create a culture that encourages constructive criticism.
- Preparing an agenda for the Board meetings, taking into account any matter raised by a Director or auditor and holding consultations with the Directors and the Chief Executive Officer, upon preparing the agenda of the Board meetings.
- Holding periodic meetings with Non-Executive Directors without the attendance of any Executive Directors.
- Informing the Ordinary General Assembly, once convened, of the transactions and contracts in which a Director has a direct or indirect interest. This notice must contain the information presented by the Director to the Board in accordance with Article 30(14) of the CGRs, with a special report from the Company's external auditor attached to the notice.

5-3-4 Board Secretary

The responsibilities and powers of the Board Secretary include the following:

- Documenting the meetings of the Board, and preparing their minutes, discussions, deliberations, place, date, beginning and end of the meeting, while documenting and recording the decisions of the Board and voting results in a special and organized register together with the names of the attending Directors and objections made by them, if any. These minutes shall be signed by all attending Directors.
- Maintaining reports presented to the Board as well as other reports prepared thereby.
- Providing Directors with the Board's agenda, working papers, documents, information and any additional documents or information requested by any of the Directors in relation to the topics of the meeting agenda.
- Ensuring that the Directors comply with procedures approved by the Board.
- Informing the Directors of meeting appointments sufficiently before the date specified.
- Presenting the draft minutes of meetings to the Directors for their views before signing them.
- Ensuring that Directors have completely and rapidly obtained the Board meeting minutes, information, and documents related to the Company.
- Coordinating between the Directors.
- Organizing the register of disclosures of the Directors and Executive Management in accordance with CGRs.
- Providing assistance and advice to Directors.

5-3-5 Service/Employment Contracts with Directors

As of the date of this Prospectus, there are no service or employment contracts entered into between the Company and the Directors.

5-3-6 Summary of the Resumes of Directors and Board Secretary

The following tables include a summary of the resumes of the current Board Members and Board Secretary:

Table (5-3): Summary of Omar Mohammed Nabil Al-Midani's Resume

Name	Omar Mohammed Nabil Al-Midani
Age	41 years
Nationality	Saudi
Title	Chairman
Academic Qualifications	Bachelor of Commerce with a Major in Finance, John Molson School of Business, Canada, 2002G.

Current Positions	• Company Chairman, from 2020G to date. • Chairman at Wave One Project Company, a limited liability company operating in education facilities projects, from 2020G to date. • Board Member at Network Coverage Company, a Saudi limited liability company operating in the telecommunications industry, from 2020G to date. • Chairman at Integrated Tower Company for Telecommunications, a Saudi limited liability company operating in the telecommunications industry, from 2020G to date. • Board Member at International Company for Water and Power Projects (ACWA Power), a Saudi closed joint stock company operating in the energy and water industry, from 2019G to date. • Executive Committee Member at International Company for Water and Power Projects (ACWA Power), a Saudi closed joint stock company operating the in energy and water industry, from 2019G to date. • Board Member at Beatona Company, a Saudi limited liability company operating in solid waste treatment, from 2019G to date. • Board Member at Etihad Energy International Company, a Saudi limited liability company operating in the energy industry, from 2019G to date. • Chief executive officer at Vision International Investment Company, a Saudi closed joint stock company operating in investment, from 2018G to date. • Executive Committee Member at Vision International Investment Company, a Saudi closed joint stock company operating in investment, from 2018G to date. • Board Member at Estydama Development Projects Company, a Saudi limited liability company operating in investment, from 2018G to date. • Chairman at Jeddah Water Services Company, a Saudi limited liability company operating in the water industry, from 2018G to date. • Board Member at Saudi District Cooling Company (Saudi Tabreed), a Saudi closed joint stock company operating in district cooling and energy saving, from 2018G to date. • Head of Nomination and Remuneration Committee at Saudi District Cooling Company (Saudi Tabreed), a Saudi closed joint stock company operating in district cooling and energy saving, from 2018G to date. • Board Member at Arabian Qudra Energy Limited, a Saudi limited liability company operating in industrial gases, from 2018G to date. • Board Member at Jazan Gas Projects Company, a Saudi closed joint stock company operating in industrial gases, from 2018G to date. • Chairman at Ajyad Knowledge Company for Education and Training, a Saudi limited liability company operating in education facilities projects, from 2018G to date. • Board Member at Sahara Aluminum Company, a Saudi limited liability company operating in contracting, from 2018G to date. • Board Member at Miahona Company, a Saudi limited liability company operating in the water industry, from 2016G to date. • Board Member at Saudi Integrated Waste Treatment Company, a Saudi limited liability company operating in solid waste treatment, from 2013G to date.
Key Past Experience	• Chairman at Industrial Cities Development & Operating Co., a Saudi limited liability company operating in the water industry, from 2019G to 2020G. • Board Member at Multiforms Saudi Company, an Emirati limited liability company operating in building materials, from 2019G to 2020G. • Chairman at Jazzirah Environment Company, a Saudi limited liability company operating in the water industry, from 2018G to 2020G. • Chairman at Riyadh Water Production Co., a Saudi limited liability company operating in the water industry, from 2018G to 2020G. • Board Member at Health Solutions Medical Company, a Saudi limited liability company operating in the health industry, from 2018G to 2019G. • Board Member at Power Acquisition Company, a Saudi limited liability company operating in the energy industry, from 2014G to 2019G. • Board Member at Arabian Japanese Membrane Company (AJMC), a Saudi limited liability company operating in the water industry, from 2017G to 2018G. • Chief executive officer at Beatona Company, a Saudi limited liability company operating in solid waste treatment, from 2011G to 2017G.

Source: The Company

Table (5-4): Summary of Balkrishan Gopiram Goenka's Resume

Name	Balkrishan Gopiram Goenka
Age	54 years
Nationality	Indian
Title	Vice Chairman
Academic Qualifications	Bachelor of Commerce, Hissar University, India, 1986G.
Current Positions	• Board Member at DBG Estates Private Limited, an Indian unlisted private company, operating in the real estate industry, from 2020G to date. • Board Member at Welspun One Logistics Parks (WOLP) Private Limited, an Indian unlisted private company, operating in the logistics industry, from 2019G to date. • Board Member at Welspun Advanced Materials (India) Limited, an Indian listed public company, operating in the textile industry, from 2019G to date. • Board Member at Welspun Specialty Solutions Limited, an Indian listed public company, operating in the steel industry, from 2018G to date. • Designated Partner at Welspun Multiventures LLP, an Indian limited liability partnership firm, operating in the real estate industry, from 2017G to date. • Board Member at the Associated Chambers of Commerce and Industry of India, an Indian industry association, representing interests of trade and commerce in India, from 2017G to date. • Designated Partner at Rank Marketing LLP, an Indian limited liability partnership firm, operating in the investment industry, from 2016G to date. • Chairman at Welspun Enterprises Limited, an Indian listed public company, operating in the infrastructure industry, from 2015G to date. • Board Member at Welspun Global Brands Limited, an Indian unlisted public company, operating in the trading industry, from 2012G to date. • Board Member at the Company from 2010G to date. • Board Member at Adani Welspun Exploration Limited, an Indian unlisted public company, operating in the oil and gas industry, from 2007G to date. • Board Member at Welspun Logistics Limited, an Indian unlisted public company, operating in the logistics industry, from 2006G to date. • Board Member at Welspun Steel Limited, an Indian unlisted public company, operating in the steel industry, from 2004G to date. • Chairman at Welspun Corp Limited, an Indian listed public company, operating in the steel pipes and coating industry, from 1995G to date. • Chairman of the Board of the Directors at Welspun India Limited, an Indian listed public company, operating in the textile industry, from 1985G to date.
Key Past Experience	• Board Member at National Skill Development Corporation, an Indian unlisted public company, operating in the skill development industry, from 2019G to 2020G. • Board Member at Welspun Wasco Coatings Private Limited, an Indian public unlisted company operating in concrete lining, from 2015G to 2020G. • Board Member at Welspun Middle East Pipes Coating LLC, a Saudi limited liability company operating in the pipe coating industry, from 2010G to 2020G. • Designated Partner at Welspun Real Estate Ventures LLP, an Indian limited liability partnership, operating in the construction industry, in 2019G. • Board Member at Welspun Innovative Products Limited, an Indian unlisted public company, operating in the textile industry, from 2018G to 2019G. • Board Member at MGN Agro Properties Private Limited, an Indian unlisted private company, operating in the real estate industry, from 2007G to 2018G. • Board Member at Welspun Energy Thermal Private Limited, an Indian unlisted private company, operating in the energy industry, from 2016G to 2017G. • Board Member at Welspun Energy Thermal Private Limited, an Indian unlisted private company, operating in the energy industry, from 2014G to 2016G. • Board Member at Katni Thermal Energy (MP) Limited, an Indian unlisted public company, operating in the energy industry, from 2011G to 2015G.

	• Board Member at Giant Reality Private Limited, an Indian unlisted private company, operating in the real estate industry, from 2007G to 2015G. • Board Member at Anuppur Thermal Energy (MP) Private Limited, an Indian unlisted private company, operating in the energy industry, from 2007G to 2015G. • Board Member at Walwhan Urja India Limited, an Indian unlisted public company, operating in the energy industry, from 2006G to 2015G.
Key Past Experience	• Board Member at AYM Syntex Limited, an Indian listed public company, operating in the textile industry, from 1991G to 2015G. • Board Member at Welspun Infratech Limited, an Indian unlisted public company, operating in the infrastructure industry, from 2011G to 2014G. • Board Member at JSW Steel (salav) Limited, an Indian unlisted public company, operating in the steel industry, from 2009G to 2014G. • Board Member at Leighton India Contractors Private Limited, an Indian unlisted private company, operating in the infrastructure industry, from 2011G to 2013G. • Board Member at Refined Salts Private Limited, an Indian unlisted private company, operating in the investment industry, from 2009G to 2013G. • Board Member at Welspun Global Brands Limited, an Indian listed public company, operating in the textile industry, from 2008G to 2012G. • Board Member at Welspun Investments and Commercials Limited, an Indian listed public company, operating in the investment industry, from 2008G to 2011G. • Board Member at Alspun Infrastructure Limited, an Indian unlisted public company, operating in the infrastructure industry, from 2007G to 2011G. • Board Member at Goldenarch Estates Private Limited, an Indian unlisted private company, operating in the real estate industry, from 2005G to 2011G. • Board Member at Welspun Fintrade Private Limited, an Indian unlisted private company, operating in the investment industry, from 2002G to 2011G. • Board Member at Welspun Mercantile Limited, an Indian unlisted public company, operating in the investment industry, from 2002G to 2011G. • Board Member at Welspun Steel Resources Private Limited, an Indian unlisted private company, operating in the steel industry, from 2009G to 2010G. • Board Member at Welspun Pipes Limited, an Indian unlisted public company, operating in the pipe industry, from 2007G to 2010G. • Board Member at Welspun Wintex Limited, an Indian unlisted public company, operating in the investment industry, from 2002G to 2010G. • Board Member at Krishiraj Trading Limited, an Indian unlisted public company, operating in the investment industry, from 2002G to 2010G. • Board Member at Dhamra Infrastructure Private Limited, an Indian unlisted private company, operating in the steel industry, from 2008G to 2009G. • Board Member at Welspun Anjar SEZ Limited, an Indian unlisted public company, operating in the paper and paper product, publishing, printing and reproduction of recorded media industry, from 2006G to 2009G. • Board Member at Welspun Natural Resources Private Limited, an Indian unlisted deemed public company, operating in the oil & gas industry, from 2006G to 2008G. • Board Member at Welspun Realty Private Limited, an Indian unlisted private company, operating in the real estate industry, in 2007G. • Board Member at Mertz Estates Limited, an Indian unlisted public company, operating in the real estate industry, from 2004G to 2007G. • Board Member at Goodvalue Polyplast Limited, an Indian unlisted public company, operating in the real estate industry, from 2003G to 2007G. • Board Member at Vipuna Trading Limited, an Indian unlisted public company, operating in the real estate industry, from 2003G to 2007G. • Board Member at Welspun Zicchi Textiles Limited, an Indian unlisted public company, operating in the textile industry, from 1997G to 2007G. • Board Member at Welspun Tradewell Limited, an Indian unlisted public company, operating in the investment industry, from 1992G to 2007G. • Board Member at Welspun Developers and Infrastructure Limited, an Indian unlisted private company, operating in the real estate industry, in 2006G.

Source: The Company

Table (5-5): Summary of Vipul Shiv Sahai Mathur's Resume

Name	Vipul Shiv Sahai Mathur
Age	50 years
Nationality	Indian
Title	Board Members, Managing Director and Member of the Executive Committee
Academic Qualifications	• Master of Business Administration with specialization in Marketing, Calcutta University, India, 1990G. • Bachelor of Science, Kanpur University, India, 1988G.
Current Positions	• Member of the Company's Executive Committee, from 2021G to date. • Board Member at Welspun Pipes Incorporation, a United States unlisted public company, operating in the investment industry, from 2019G to date. • Board Member at Welspun Tubular LLC, a United States unlisted public company, operating in the steel tubes and pipes industry, from 2019G to date. • Board Member at Welspun Global Trade LLC, a United States unlisted public company, operating in marketing of the steel tubes and pipes industry, from 2019G to date. • Board Member at Welspun Wasco Coatings Private Limited, an Indian unlisted public company, operating in the concrete coating industry, from 2018G to date. • Managing Director and Chief Executive Officer at Welspun Corp Limited, an Indian listed public company, operating in the steel pipes and coating industry, from 2017G to date. • Board Member at the Company from 2013G to date.
Key Past Experience	• Board Member at Welspun Coating, a Saudi limited liability company, operating in the pipe coating industry, from 2013G to 2020G. • Vice President of Sales and Marketing at MAN Industries Limited, an Indian listed public company, operating in the steel tubes and pipes industry, from 1999G to 2000G. • Sales and Marketing Manager at Triveni Oilfield Services Limited, an Indian listed public company, operating in the steel tubes and pipes industry, from 1995G to 1999G. • Sales and Marketing Executive Director at Maharashtra Seamless Limited, an Indian listed public company, operating in the steel tubes and pipes industry, from 1992G to 1995G. • Marketing Officer in the Sales and Marketing Department at Kirloskar Electric Company Limited, an Indian public company, operating in the engineering industry, from 1990G to 1992G.

Source: The Company

Table (5-6): Summary of Mohammed Saleh Mohammed Al-Hammadi's Resume

Name	Mohammed Saleh Mohammed Al-Hammadi
Age	49 years
Nationality	Saudi
Title	Board Member
Academic Qualifications	• Bachelor of Business Administration, Webber State University, United States of America, 1996G. • Bachelor of Marketing, Webber State University, United States of America, 1996G.
Current Positions	• Board Member at Aziz Company for Contracting and Industrial Investment, a Saudi closed joint stock company operating in the general contracting industry, from 2019G to date. • General Manager at Support Medical Support Limited Company, a Saudi limited liability company operating in the hospital and laboratory management and operation industry, from 2018G to date. • General Manager at Pharma Serve Limited Company, a Saudi limited liability company operating in the medical devices and products and medicines trade, from 2018G to date. • General Manager at Continues Medical Education Company, a Saudi limited liability company operating in the field of rehabilitation training institutes and centers, from 2018G to date. • General Manager at Biopharma Industrial Park Company, a Saudi limited liability company operating in the pharmaceutical industry, from 2017G to date.

Current Positions	• Board Member at Medical Industrial Company Ltd., a Saudi limited liability company operating in the medicines and medical supplies industry, from 2017G to date. • General Manager at Home Medical Care Company Ltd., a Saudi limited liability company operating in the home medical services industry, from 2016G to date. • Board Member at Al Baha Company for Investment and Development, a Saudi listed joint stock company, operating in the investment and financing industry, from 2013G to date. • General Manager at Construction and Maintenance Company, a Saudi limited liability company operating in the maintenance and contracting industry, from 2012G to date. • Chairman at Al Hammadi for Hospital Operations and Management , a Saudi limited liability company operating in the medical services industry, from 2012G to date. • Board Member at the Company from 2010G to date. • General Manager at Al Hammadi Information Technology Company, a Saudi limited liability company operating in the information technology industry, from 2009G to date. • General Manager at Al Hammadi Construction Company, a Saudi limited liability company operating in the contracting industry, from 2005G to date. • Chief executive officer and Managing Director at Al Hammadi Company for Investment and Development, a Saudi listed joint stock company, operating in the health care industry, from 1996G to date.
Key Past Experience	• Board Member at Saudi Chemical Company, a Saudi joint stock company, operating in the healthcare industry, from 2007G to 2009G. • Chairman at Saudi Automotive Services Company (SASCO), a Saudi joint stock company, operating in the automotive services industry, from 2006G to 2009G.

Source: The Company

Table (5-7): Summary of Ahmed Mubarak Mohammed Al-Debasi's Resume

Name	Ahmed Mubarak Mohammed Al-Debasi
Age	62 years
Nationality	Saudi
Title	Board Memberand Chairman of the Nominations and Remuneration Committee
Academic Qualifications	• Bachelor in Business Administration, Temple University, United States of America, 1982G
Current Positions	• Chairman of the Nominations and Remuneration Committee at the Company, from 2021G to date. • Board Member at the Company from 2020G to date. • Chairman at Saudi Steel Pipe Company, a Saudi listed joint stock company, operating in the production of steel pipes industry, from 2019G to date. • Board Member at Titanium and Steel Manufacturing Company, a Saudi limited liability company, operating in the titanium and steel industry, from 2019G to date. • Board Member at Middle East Paper Company (MEPCO), a Saudi listed joint stock company, operating in the paper production industry, from 2016G to date.
Key Past Experience	• Managing Director at Saudi Steel Pipe Company, a Saudi listed joint stock company, operating in the production of steel pipes industry, from 2016G to 2019G. • Chief Executive Officer at Saudi Steel Pipe Company, a Saudi listed joint stock company, operating in the production of steel pipes, from 2005G to 2016G.

Source: The Company

Table (5-8): Summary of Suhail Amin Nathani's Resume

Name	Suhail Amin Nathani
Age	55 years
Nationality	American
Title	Board Memberand Member of the Nominations and Remuneration Committee
Academic Qualifications	• Master in Law, Duke University, United States of America, 1991G. • Master in Law, Cambridge University, United Kingdom, 1990G. • Bachelor of Commerce, Bombay University, India, 1987G.
Current Positions	• Board Member at the Company from 2020G to date. • Board Member at Piramal Enterprises Limited, an Indian listed public company operating in the pharmaceutical industry, from 2020G to date. • Member of the Company's Nomination and Remuneration Committee, from 2020G to date. • Board Member at Progressive Electoral Trust, an Indian non-profit company limited by guarantee, operating in political party financing, from 2018G to date. • Board Member at Piramal Capital & Housing Finance, an Indian unlisted company operating in the mortgage and financial services industry, from 2017G to date. • Board Member at UTI Trustee Company Private Limited, an Indian company limited by shares, operating in the financial intermediation industry, from 2015G to date. • Board Member at Mahindra CIE Automotive Ltd., an Indian listed public company operating in the automotive industry, from 2014G to date. • Board Member at Aga Khan Agency for the Habitat India, an Indian non-profit organization operating in community support, from 2012G to date. • Board Member at Siddhesh Capital Market Services Private Limited, an Indian unlisted company operating in the financial services industry, from 2008G to date. • Board Member at Salaam Bombay Foundation, an Indian non-profit organization operating in child health, education and protection, from 2008G to date. • Founder and Managing Partner at Economic Laws Practice, an Indian law firm, operating in the advocacy and legal advice industry, from 2001G to date.
Key Past Experience	N/A

Source: The Company

Table (5-9): Summary of Mohammed Abdulrahman Abdullah Al-Othman's Resume

Name	Mohammed Abdulrahman Abdullah Al-Othman
Age	51 years
Nationality	Saudi
Title	Board Member
Academic Qualifications	• Bachelor of Aero Sciences, King Faisal Air Academy, Kingdom of Saudi Arabia, 1991G.

Current Positions	• Chairman at Career First, a Saudi limited liability company operating in the education and training industry, from 2013G to date. • Chairman at Hassan Allam Construction Company, a Saudi limited liability company operating in the contracting industry, from 2012G to date. • Chairman at Saudi Global Energy Company, a Saudi limited liability company operating in the energy industry, from 2012G to date. • Chairman at Saudi Aerospace Company, a Saudi limited liability company operating in the aviation industry, from 2012G to date. • Vice Chairman at SABB Saudi Arabia, a Saudi limited liability company operating in the aviation industry, from 2012G to date. • Chairman at Al-Nakhlah Real Estate Company, a Saudi limited liability company operating in the real estate industry, from 2012G to date. • Chairman at Mohammed Al-Othman Holding Company, a Saudi holding company operating in international business and industrial services, from 2011G to date. • Vice Chairman at Anixter Saudi Arabia Ltd., a Saudi limited liability company operating in the telecommunications, networks and security services industry, from 2011G to date. • Chairman at Yapi Merkezi Saudi Company, a limited liability company operating in the contracting industry, from 2011G to date. • Board Member of the Company, from 2010G to date. • Chairman at First Star Company, a Saudi limited liability company operating in the contracting industry, from 2010G to date. • Chairman at Arabian Railway Company, a Saudi limited liability company operating in the railway industry, from 2010G to date. • Vice Chairman at Target Engineering and Construction Company, a Saudi limited liability company operating in the contracting industry, from 2010G to date. • Chairman and Chief executive officer at Mohawarean International Group, a Saudi limited liability company operating in contracting, construction, education, and real estate development, from 2007G to date. • Board Member at Tanmiah for Industrial & Commercial Investment, a Saudi closed joint stock company operating in investment, from 2007G to date.
Key Past Experience	• Board Member at Saudi Emcor Company, a Saudi limited liability company operating in the facilities management industry, from 2008G to 2018G. • Board Member at KWE Saudi Arabia, a Saudi limited liability company operating in the logistics services industry, from 2010G to 2013G. • Chairman at Middle East Propulsion Company, a Saudi limited liability company operating in maintenance and repair of aircraft engines, from 2011G to 2012G.

Source: The Company

Table (5-10): Summary of Khalid Ibrahim Saad Al-Rabiah's Resume

Name	Khalid Ibrahim Saad Al-Rabiah
Age	60 years
Nationality	Saudi
Title	Board Memberand Chairman of the Audit Committee
Academic Qualifications	• Bachelor of Accounting, The University of Toledo, United States of America, 1991.

Current Positions	• Board member at the Company, from 2021G to date. • Chairman of the Company's Audit Committee, from 2021G to date. • Chairman of the Audit Committee of the International Company for Water and Power Projects (ACWA Power), a Saudi public joint stock company, operating in the power and desalinated water production industry, from 2018G to date. • Chairman of the Audit Committee, Saudi District Cooling Company, a closed Saudi joint stock company operating in district cooling, from 2019G to date. • Director at the Abdullah Al-Othaim Investment Company, a closed Saudi joint stock company, operating in the development and operation of commercial complexes, from 2021G to date. • Director at the Yanbu National Petrochemical Company (Yansab), a Saudi joint stock company, operating in the petrochemical industry, from 2020G to date. • Member of the Investment Committee, Yanbu National Petrochemical Company, a Saudi joint stock company, operating in the petrochemical industry, from 2020G to date. • Chairman of the Risk Committee, Yanbu National Petrochemical Company, a Saudi joint stock company, operating in the petrochemical industry, from 2020G to date. • Chairman, Arab Company for Drug Industries and Medical Appliances, an Arab joint company representing the share of the Kingdom, operating in pharmaceutical industries and medical supplies, from 2020G to date. • Director at the Tunisian Saudi Bank, a bank equally owned by the Government of the Republic of Tunisia and the Government of the Kingdom, operating in banking services, from 2020G to date. • Consultant at the Saudi Mining Services Company, a closed Saudi joint stock company, operating in mining services, from 2020G to date. • Director at Al-Dowayan Holding Company, a closed Saudi joint stock company, operating in real estate development, from 2017G to date. • Member of the Executive Committee, Al-Dowayan Holding Company, a closed Saudi joint stock company, operating in real estate development, from 2017 to date. • Founder and President of KIR Financial Advisory, operating in providing financial and strategic advisory services, from 2016G to date.
Key Past Experience	• Chairman of the Audit Committee, Al Jazeera Support Services Company (Mehan), a Saudi joint stock company operating in recruitment and labor services, from 2017G to 2020G. • Chairman, Saudi Stock Exchange (Tadawul), a Saudi joint stock company, operating as a main stock exchange in the Kingdom, from 2013G to 2017G. • Chairman of the Executive Committee, Saudi Stock Exchange (Tadawul), a Saudi joint stock company, operating as a main stock exchange in the Kingdom, from 2013G to 2017G. • Chairman of the Nomination Committee, Saudi Stock Exchange (Tadawul), a Saudi joint stock company, operating as a main stock exchange in the Kingdom, from 2013G to 2017G. • Chief executive officer, Methanol Chemicals Company (Chemanol), a Saudi public joint stock company, operating in the production of formaldehyde and its derivatives and concrete improvers, from 2008G to 2016G. • Vice President for Financial Affairs, the Saudi Arabian Amiantit Company, a Saudi public joint stock company, operating in establishing plants, owning, managing and operating industrial facilities and marketing its products, especially industrial projects for pipe production, from 1993G to 2008G.

Source: The Company

Table (5-11): Summary of Mohammed Saleh Ali Darweesh's Resume

Name	Mohammed Saleh Ali Darweesh
Age	53 years
Nationality	Egyptian
Title	Board Secretary and Chief Financial Officer
Academic Qualifications	• Ph.D. in Financial Management, Volgen University, United States of America, 2015G.
Current Positions	• Chief financial officer, the Company, from 2021G to date.

Key Past Experience	• Chief financial officer and Director at the Higher Institute for Paper & Industrial Technologies, a non-profit technical institute, operating in technical courses and diploma programs, from 2016G to 2021G. • Chief financial officer at Qassim Cement Co., a Saudi joint stock company, operating in cement, from 2009G to 2016G. • Chief financial officer at Eshraqa Development Group, an Emirati Company, operating in real estate development, from 2007G to 2009G.

Source: The Company

5-4 Committees of the Board of Directors

The Board has formed a number of committees based on the Company's needs to enable it to carry out its operations effectively in addition to fulfilling the relevant regulatory requirements. These committees are the Audit Committee, the Nominations and Remuneration Committee, and the Executive Committee.

Following is a summary of the composition, responsibilities and members of each committee:

5-4-1 Audit Committee

A. Composition of the Audit Committee

The Audit Committee consists of three (3) members appointed by the Ordinary General Assembly resolution dated 06/02/1442H (corresponding to 23/09/2020G) and the Extraordinary General Assembly resolution dated 14/02/1443H (corresponding to 21/09/2021G).

The following table includes the names of the Audit Committee members:

Table (5-12): Members of the Audit Committee

#	Name	Position	Membership Status
1.	Khalid Ibrahim Saad Al-Rabiah	Chairman of the Audit Committee	Non-Executive/ Independent
2.	Rupak Ranjan Ghosh	Member	Member from outside the Board
3.	Amro Husseini Omar Shawli	Member	Member from outside the Board

Source: The Company

B. Responsibilities of the Audit Committee

The responsibilities and duties of the Audit Committee include the following:

1) Financial reporting

- Considering the Company's preliminary and annual financial statements before submitting them to the Board and expressing its opinions and recommendations thereon to ensure they are integral, fair and transparent.
- Providing the technical opinion, at the request of the Board, on whether the Board's report and financial statements are fair, balanced and understandable and include information that allows Shareholders and Investors to evaluate the Company's financial position, performance, business model and strategy.
- Examining any important or unusual issues contained in the financial reports.
- Carefully investigating any matters raised by the Company's Chief Financial Officer or his deputy, compliance officer or auditor.
- Checking accounting estimates in material issues stated in the financial reports.
- Considering the Company's applicable accounting policies and expressing opinions and recommendations to the Board with respect thereto.

2) Internal audit

- Considering and reviewing internal control systems, financial and risk management in the Company.
- Considering reports of internal audit and following up on implementing corrective actions for the notes therein contained.
- Monitoring and supervising the performance and activities of the internal auditor and the internal audit department of the Company, if any, to verify the availability of the necessary resources and their effectiveness in performing their tasks and assignments, if the Company does not have an internal auditor, the Audit Committee should recommend to the Board the need to appoint him/her.
- Making recommendations to the Board to appoint the Director of the Internal Audit Unit or department or the independent auditor and proposing his/her remuneration.

3) The auditor

- Making recommendations to the Board about nomination and dismissal of auditors, determining their fees and evaluating their performance after checking their independence and reviewing their work scope as well as the terms of their contracts.
- Verifying the independence, objectivity and fairness of auditors and effectiveness of auditing, taking into account relevant rules and standards.
- Reviewing the auditor's plan and its work, ensuring that it does not perform technical or administrative activities that fall outside the scope of auditing and submitting its opinions thereon.
- Responding to inquiries of the Company's auditor.
- Considering the auditor's report and its notes on the financial statements and following up on the relevant actions.

4) Ensuring compliance

- Reviewing the results of supervisory bodies reports and confirming that the Company took the necessary actions in this regard.
- Confirming the Company's compliance with relevant laws, regulations, policies and instructions.
- Reviewing the proposed contracts and transactions to be entered into by the Company with the related parties and expressing its views thereon to the Board.
- Reporting the Audit Committee's views as to the need for action to be taken by the Board and recommending actions to be taken.

5) Other powers

To perform its functions, the Audit Committee is entitled to:

- Have access to the Company's records and documents.
- Convene and request any clarification from the Board or Executive Management.
- Request the Board to convene the General Assembly if its business was hindered by the Board or if the Company suffered material losses or damages.

C. Summary of Resumes of Members of the Audit Committee

The following tables include a summary of the resumes of members of the Audit Committee:

Table (5-13): Summary of Khalid Ibrahim Saad Al-Rabiah's Resume

Name	Khalid Ibrahim Saad Al-Rabiah
Age	59 years
Nationality	Saudi
Biography	Please refer to Section 5-3-6 "**Summary of the Resumes of Directors and Board Secretary**" of this Prospectus.

Source: The Company

Table (5-14): Summary of Rupak Ranjan Ghosh's Resume

Name	Rupak Ranjan Ghosh
Age	51 years
Nationality	Indian
Title	Member of the Audit Committee
Academic Qualifications	• Chartered Accountant, Institute of Chartered Accountants, India, 1995G. • Cost Accountant, Institute of Cost and Works Accounts, India, 1994G. • Bachelor of Commerce, Kolkata University, India, 1991G.
Current Positions	• Member of the Audit Committee at the Company from 2020G to date. • Senior Vice President at Welspun Corp Limited, an Indian listed public company, operating in the steel pipes and coating industry, from 2014G to date.
Key Past Experience	• Vice President at Welspun Corp Limited, an Indian listed public company, operating in the steel pipes and coating industry, from 2011G to 2014G. • Assistant Vice President at Welspun Corp Limited, an Indian listed public company, operating in the steel pipes and coating industry, from 2009G to 2011G. • General Manager at Welspun Corp Limited, an Indian listed public company, operating in the steel pipes and coating industry, from 2007G to 2009G. • Senior Manager of Accounts & Management Information System at Blue Star Limited, an Indian limited company, operating in the air conditioner manufacturing industry, from 2006G to 2007G. • Senior Manager of the Internal Audit at Blue Star Limited, an Indian limited company, operating in the air conditioner manufacturing industry, from 2003G to 2006G. • Head of Corporate Finance at Vinay Cements Limited, an Indian public company, operating in the construction materials industry, from 2002G to 2003G. • Corporate Finance Manager at Techna Group, and Indian company, operating in the technology industry, from 2000G to 2002G. • Finance Manager at Wockhardt Limited, an Indian limited company, operating in the pharmaceutical and biotechnology industry, in 2000G. • Finance Manager at Techna Group, and Indian group, operating in the technology industry, from 1996G to 1999G. • Associate at A. Kar & Associates, an Indian company, operating in the advocates and legal consultancy industry, from 1995 to 1996.

Source: The Company

Table (5-15): Summary of Amro Shawli's Resume

Name	Amro Husseini Omar Shawli
Age	40 years
Nationality	Saudi
Title	Member of the Audit Committee
Academic Qualifications	• Certified Management Accountant, Institute of Management Accountants, United States of America, 2016G. • Master of Business Administration with specialization in Accounting & Finance, Southern Methodist University, United States of America, 2012G. • Certified Internal Auditor, Institute of Internal Auditors, United States of America, 2008G. • Bachelor of Science with specialization in Accounting & Finance, Southern Illinois University, United States of America, 2005G.
Current Positions	• Member of the Audit Committee at the Company from 2020G to date. • Chief Auditor at Aramco Services Company, an American company, operating in the power industry, from 2017G to date.
Key Past Experience	• Audit Manager in the Audit Support Division at Saudi Aramco, a Saudi listed joint stock company, operating in the power industry, in 2017G. • Senior Auditor in the Projects Audit Division at Saudi Aramco, a Saudi listed joint stock company, operating in the power industry, from 2012G to 2016G. • Assistant Auditor at Saudi Aramco, a Saudi listed joint stock company, operating in the power industry, from 2005G to 2010G.

Source: The Company

5-4-2 Nominations and Remuneration Committee

A. Composition of the Nominations and Remuneration Committee

The Nominations and Remuneration Committee consists of four (4) members appointed by the Board resolution dated 06/02/1442H (corresponding to 23/09/2020G) and 13/02/1443H (corresponding to 20/09/2021G).

The following table includes the names of the Nominations and Remuneration Committee members:

Table (5-16): Members of the Nominations and Remuneration Committee

#	Name	Position	Title
1.	Ahmed Mubarak Mohammed Al-Debasi	Chairman of the Nominations and Remuneration Committee	Non-Executive/ Independent
2.	Suhail Amin Nathani	Member	Non-Executive/ Independent
3.	Percy Birdy	Member	Member from outside the Board
4.	Ahmed Abdullah Abu Al-Khair Al-Numan	Member	Member from outside the Board

Source: The Company

B. Responsibilities of the Nominations and Remuneration Committee

The responsibilities and duties of the Nominations and Remuneration Committee include the following:

- Developing a clear policy for the remuneration of Directors, committees of the Board and the Executive Management, and submitting them to the Board for consideration to be adopted by the General Assembly, provided that such policy takes into account the adoption of standards related to performance, disclosure and implementation verification thereof.
- Clarifying the relationship between remuneration granted and the remuneration policy in force, and explaining any material deviation in applying this policy.
- Regularly reviewing the remuneration policy and assessing the proficiency thereof in respect of achieving its objectives.
- Making recommendations to the Board with respect to the remuneration of the Board and its committees and the senior executives of the Company as per approved policy.
- Proposing clear policies and criteria for membership in the Board and Executive Management.
- Making recommendations to the Board on nomination and re-nomination of Directors in accordance with the approved policies and standards, taking into account exclusion of any person who has already been convicted of a crime prejudicial to trust.
- Preparing a description of the abilities and qualifications required for Board membership and Executive Management functions.
- Determining the time a Director should allocate to perform the functions of the Board.
- Annually reviewing the necessary skills or suitable experience requirements for Board membership and Executive Management positions.
- Reviewing the structure of the Board and Executive Management and making recommendations on possible changes.
- Annually assuring the independence of each Independent Director and absence of any conflict of interest in the event a Director serves as a member of the Board of Directors of another company.
- Determining a job description for Executive, Non-Executive and Independent Directors and Senior Executives
- Setting special procedures in case the position of a Director and Senior Executive is vacant.
- Defining the Board's strengths and weaknesses and suggesting solutions that serve the Company's interest.

C. Summary of Resumes of Members of the Nominations and Remuneration Committee

The following tables include a summary of the resumes of members of the Nominations and Remuneration Committee:

Table (5-17): Summary of Ahmed Mubarak Mohammed Al-Debasi's Resume

Name	Ahmed Mubarak Mohammed Al-Debasi
Position	Chairman of the Nominations and Remuneration Committee
Biography	Please refer to Section 5-3-6 "**Summary of the Resumes of Directors and Board Secretary**" of this Prospectus.

Source: The Company

Table (5-18): Summary of Suhail Nathani 's Resume

Name	Suhail Nathani
Position	Member of the Nominations and Remuneration Committee
Resume	Please refer to Section 5.3.6"**Summary of the Resumes of Directors and Board Secretary**" of this Prospectus.

Source: The Company

Table (5-19): Summary of Percy Birdy's Resume

Name	Percy Birdy
Age	52 years
Nationality	Indian
Title	Member of the Nominations and Remuneration Committee
Academic Qualifications	• Chartered Accountant with specialization in Accounting, Taxation, Finance and Common Law, Institute of Chartered Accountants of India, India, 1992G.
Current Positions	• Member of the Company's Nominations and Remuneration Committee from 2020G to date. • Full-time director and chief financial officer at Welspun Tradings Limited, an Indian unlisted public company, operating in the steel products trade, from 2019G to date. • Board member at Welspun Mauritius Holdings Limited, a Mauritian unlisted public limited company, operating in the investment industry, from 2019G to date. • Chief financial officer at Welspun Corp Limited, an Indian listed public company, operating in the steel pipes and coating industry, from 2018G to date.
Key Past Experience	• Board member at the Company from 2019G to 2020G. • Board member at Welspun Pipe Coating Company, a Saudi limited liability company, operating in the pipe coating industry, from 2019G to 2020G. • Chief financial officer of Allanasons Group, an Indian unlisted private company, operating in the food industry, from 2016G to 2018G. • Executive vice president of finance at Glenmark Pharmaceuticals Limited, an Indian listed public company, operating in the pharmaceutical industry, from 2007G to 2015G. • Global finance controller at Essel Propack Limited, an Indian listed public company, operating in the packaging industry, from 2002G to 2007G. • Associate director at General Accounts and Treasury Services at Park Davis India Limited, an Indian listed public company, operating in the pharmaceuticals industry, from 1992G to 2002G.

Source: The Company

Table (5-20): Summary of Ahmed Abdullah Abu Al-Khair Al-Numan's Resume

Name	Ahmed Abdullah Abu Al-Khair Al-Numan
Age	37 years
Nationality	Saudi
Title	Member of the Nominations and Remuneration Committee
Academic Qualifications	• Part-time student in Master of Business Administration, Prince Mohammad Bin Salman College, Saudi Arabia, with expected graduation in April 2021G. • Bachelor of Business Administration, University of South Africa, South Africa, 2009G. • Certificate in Personnel Practice, Chartered Institute of Personnel and Development, United Kingdom, 2011G. • Certified as a Professional in Human Resources, HR Certification Institute, United States of America, 2008G.
Current Positions	• Member of the Company's Nominations and Remuneration Committee from 2020G to date. • Member of the nominations and remuneration committee at Saudi District Cooling Company (Saudi Tabreed), a Saudi closed joint stock company, operating in the district cooling and energy savings industry, from 2019G to date. • Human capital development director at Vision Invest, a Saudi closed joint stock company, operating in the investment industry, from 2019G to date.
Key Past Experience	• Director of human resources at MiSK Foundation, a Saudi non- profit organization, operating in the culture, education and technology industry, in 2018G. • Director of human resource at BAE Systems Saudi Arabia, a Saudi limited liability company, operating in the technology and engineering services industry, from 2014G to 2018G. • Remuneration manager at BAE Systems Saudi Arabia, a Saudi limited liability company, operating in the technology and engineering services industry, from 2013G to 2014G. • Business partner at BAE Systems Saudi Arabia, a Saudi limited liability company, operating in the technology and engineering services industry, from 2010G to 2012G. • Recruitment officer at Jeddah Cable Company, a Saudi limited liability company, operating in the cable industry, from 2006G to 2010G. • Owner of the Canadian Academy of Learning, a Saudi training center, operating in the training industry, from 2004G to 2006G.

Source: The Company

5-4-3 Executive Committee

A. Composition of the Executive Committee

The Executive Committee consists of five (5) members appointed by the Board resolution dated 06/07/1442H (corresponding to 18/02/2021G) and 13/02/1443H (corresponding to 20/09/2021G).

The following table includes the names of the Executive Committee members:

Table (5-21): Members of the Executive Committee

#	Name	Position
1.	Sultan Samir Saeed Joudia	Chairman of the Executive Committee
2.	Ibrahim Abdullah Ali Al-Nassar	Member
3.	Bassam Abdel Salam Mohammed Bamakous	Member
4.	Mohammed Abdulaziz Mohammed Al-Shaheen	Member
5.	John Godfrey	Member

Source: The Company

B. Responsibilities of the Executive Committee

The responsibilities and duties of the Executive Committee include the following:

- Supervising the implementation of the policies and directives of the Board and facilitating decision-making between Board meetings.
- Assisting the Board in the following matters, including as an example but not limited to:
  - Referring any matters to the Board that the Board must consider and decide upon and making recommendations to the Board in relation to such matters.
  - Annually reviewing and making recommendations to the Board with regard to the Company's strategy, business plan and budget, including assessment of the effectiveness of that strategy.
  - Annually reviewing and making recommendations to the Board with regard to strategic performance measures, objectives, business plan and/or budget, and KPI targets, in light of Company and market conditions.
  - Reviewing the Company's business development opportunities to monitor growth and maintain operations in line with the Company's strategy and goals.
  - Making recommendations to the Nomination and Remuneration Committee regarding the following:
    - Changes in the organizational structure of the Company.
    - Changes in the overall job-grade structure.
  - The Executive Committee Chairman, or his delegate, must attend General Assembly meetings and answer any questions raised by the Shareholders.
  - Any other responsibilities or duties that the Board delegates to the Committee.

C. Summary of Resumes of Members of the Executive Committee

The following tables include a summary of the resumes of members of the Executive Committee:

Table (5-22): Summary of Sultan Samir Saeed Joudia's Resume

Name	Sultan Samir Saeed Joudia
Age	36 years
Nationality	Lebanese
Title	Chairman of the Executive Committee
Academic Qualifications	• Masters of Business Administration, University of Liverpool, United Kingdom, 2016G. • Bachelors of Business Administration with a Major in Finance, American University of Beirut, Lebanon, 2004G.
Current Positions	• Member of the Company's Executive Committee, from 2021G to date. • Vice chairman for asset management at Vision International Investment Company, a Saudi closed joint stock company operating in investment, from 2020G to date. • Executive committee member at Saudi District Cooling Company (Saudi Tabreed), a Saudi closed joint stock company operating in the cooling industry, from 2020G to date. • Board member at Miahona, a Saudi limited liability company providing integrated water solutions, from 2019G to date. • Executive committee member at Miahona, a Saudi limited liability company providing integrated water solutions, from 2019G to date. • Board member at Advanced Piping Solutions, a Saudi limited liability company operating in the piping industry, from 2018G to date. • Board member at Toledo Arabia Ltd., a Saudi limited liability company operating in the energy and infrastructure industry, from 2018G to date. • Director at ADDAR Chemicals Company, a Saudi limited liability company operating in the chemical industry, from 2018G to date.
Key Past Experience	• Assistant vice chairman for asset management at Vision International Investment Company, a Saudi closed joint stock company operating in investment, from 2018G to 2019G. • Director of finance and investments at Beatona Company, a Saudi limited liability company operating in solid waste treatment, from 2012G to 2017G. • Senior advisor at The National Investor (TNI), a Saudi joint stock company operating in provision of financial consultancy, investment and asset management, from 2007G to 2011G. • Advisor at the Capital Management House, a Bahraini closed joint stock company operating in financial services, from 2006G to 2007G. • Advisor at the Financial Consultant House Company, a Saudi partnership operating in financial services, from 2005G to 2006G.

Source: The Company

Table (5-23): Summary of Ibrahim Abdullah Ali Al-Nassar's Resume

Name	Ibrahim Abdullah Ali Al-Nassar
Age	50 years
Nationality	Saudi
Title	Member of the Executive Committee
Academic Qualifications	• Bachelor of Mechanical Engineering, King Fahad University of Petroleum & Minerals (KFUPM), KSA, 1994G.
Current Positions	• Member of the Company's Executive Committee, from 2021G to date. • Chief executive officer at Etihad Energy International, a Saudi limited liability company operating in the energy industry, from 2019G to date. • Advisor to the chief executive officer at Vision International Investment Company, a Saudi closed joint stock company operating in investment, from 2018G to date. • Chairman at Toledo Arabia Ltd., a Saudi limited liability company operating in the energy and infrastructure industry, from 2018G to date. • Chairman at Advanced Piping Solutions, a Saudi limited liability company operating in the piping industry, from 2018G to date. • Head of projects committee at Saudi District Cooling Company (Saudi Tabreed), a Saudi closed joint stock company operating in district cooling and energy saving, from 2016G to date.
Key Past Experience	• Board member at Miahona, a Saudi limited liability company operating in the water industry, from 2018G to 2020G. • Board member and managing director at Riyadh Water Production Co., a Saudi limited liability company operating in the water industry, from 2016G to 2018G. • Board member and managing director at Industrial Cities Development and Operating Co., a Saudi limited liability company operating in the water industry, from 2016G to 2018G. • Board member and managing director at Be'at Al-Jazirah Company, a Saudi limited liability company operating in the water industry, from 2016G to 2018G. • Board Chairman at Jeddah Water Services Co, a Saudi limited liability company operating in the water industry, from 2016G to 2018G. • Chief executive officer at Miahona a Saudi limited liability company operating in the water industry, from 2016G to 2018G. • Chief executive officer at Toledo Arabia Ltd., a Saudi limited liability company operating in energy and infrastructure, from 2010G to 2018G. • Director of project management and control at the International Company for Water and Power Projects (ACWA Power), a Saudi closed joint stock company operating in energy and water industry, from 2008G to 2010G. • Director of Saudi-British Programs at Al Salam Aerospace Industrial Company, a Saudi limited liability company operating in maintenance of military and commercial aircrafts, from 2007G to 2008G. • Program manager at Al Salam Aerospace Industrial Company, a Saudi limited liability company operating in maintenance of military and commercial aircrafts, from 2001G to 2007G. • Deputy program manager at Al Salam Aerospace Industrial Company, a Saudi limited liability company operating in maintenance of military and commercial aircrafts, from 2000G to 2001G. • Project engineer at Al Salam Aerospace Industrial Company, a Saudi limited liability company operating in maintenance of military and commercial aircrafts, from 1998G to 2000G. • Analysis engineer in the consulting services department at Saudi Aramco, a Saudi listed joint stock company operating in the energy industry, from 1994G to 1998G.

Source: The Company

Table (5-24): Summary of Bassam Abdel Salam Mohammed Bamakous's Resume

Name	Bassam Abdel Salam Mohammed Bamakous
Age	47 years
Nationality	Saudi

Title	Member of the Executive Committee
Academic Qualifications	• Executive Masters of Business Administration, King Fahad University of Petroleum & Minerals (KFUPM), KSA, 2016G. • Bachelor of Applied Electrical Engineering, KFUPM, KSA, 2000G.
Current Positions	• Member of the Company's Executive Committee, from 2021G to date. • Board member and executive committee member at Anixter Saudi Arabia Ltd., a Saudi limited liability company operating in electrical goods, cables, and communications and security systems, from 2017G to date. • Board member at Altanmiah Industrial Commercial Investment Co., a Saudi closed joint stock company operating in industrial and commercial investment, from 2017G to date. • Board member at Al Hadaf Saudi Construction Company, a Saudi limited liability company operating in the construction and oil, gas and marine projects industry, from 2017G to date. • Chief executive officer at Saudi International Energy Company, a Saudi limited liability company operating in the energy, industry, supplies, maintenance, operation and investment industry, from 2016G to date.
Key Past Experience	• Chairman at Al Haitam for Industries and Economic Development, a Saudi limited liability company operating in supply for the oil, gas, energy, chemical and water markets, from 2014G to 2016G. • Senior vice chairman for sales and marketing at Al Haitam for Industries and Economic Development, a Saudi limited liability company operating in supply for the oil, gas, energy, chemical and water markets, from 2013G to 2014G. • Director of electricity department at Al Abdulkarim Holding Company, a Saudi limited liability company operating in energy and industrial supplies, from 2005G to 2006G. • Electric heat tracing system product manager at Al Abdulkarim Holding Company, a Saudi limited liability company operating in energy and industrial supplies, from 2005G to 2006G. • Sales engineer at Al Abdulkarim Holding Company, a Saudi limited liability company operating in energy and industrial supplies, from 2003G to 2005G. • Electrical engineer at Al Abdulkarim Holding Company, a Saudi limited liability company operating in energy and industrial supplies, from 2002G to 2003G. • Electrical design engineer at Dar Al-Riyadh Engineering Consultants, a Saudi limited liability company providing engineering consultancy services, from 2000G to 2002G.

Source: The Company

Table (5-25): Summary Biography of Mohammed Abdulaziz Mohammed Al-Shaheen

Name	Mohammed Abdulaziz Mohammed Al-Shaheen
Age	44 years
Nationality	Saudi
Title	Chief Executive Officer and Member of the Executive Committee
Academic Qualifications	• Bachelor of Science, Mechanical Engineering, King Fahd University of Petroleum and Minerals, the Kingdom, 2002G.
Current Positions	• Chief Executive Officer, the Company, from 2021G to date. • Member of the Company's Executive Committee, from 2021G to date.
Key Past Experience	• Chief operating officer, Abunayyan Trading Corporation, a Saudi limited liability company, operating in energy, water, sewage, electric and smart meters and logistics services, KSA and GCC, from 2019G to 2020G. • Acting cheif executive officer, Saudi Pipe Company, a Saudi joint stock company, operating in the manufacture of welded carbon steel pipes and external coating, KSA and the Middle East.

Source: The Company

Table (5-26): Summary of John Godfrey's Resume

Name	John Godfrey
Age	56 years
Nationality	Indian
Title	Member of the Executive Committee
Academic Qualifications	• MBA, Aligarh Muslim University, India, 1989G. • Bachelor of Science, Aligarh Muslim University, India, 1985G.
Current Positions	• Chief executive officer, Welspun Corp Ltd., an Indian public joint stock company, operating in pipe manufacturing, from 2021G to date. • Member of the Company's Executive Committee, from 2021G to date. • Director at Welspun Wasco Coatings Private Limited, an Indian limited liability company, operating in the manufacture of metal products and metalworking activities, from 2021G to date.
Key Past Experience	• Chief of business at Welspun Corp Ltd., an Indian public joint stock company, operating in pipe manufacturing, from 2017G to 2021G. • Chief of the global supply chain at Welspun Corp Ltd., an Indian public joint stock company, operating in pipe manufacturing, from 2014G to 2021G. • Chief of sheet and roll mill at Welspun Corp Ltd., an Indian public joint stock company, operating in pipe manufacturing, from 2012G to 2014G. • Chief of marketing at Welspun Corp Ltd., an Indian public joint stock company, operating in pipe manufacturing, from 2008G to 2014G. • General manager at Welspun Corp Ltd., an Indian public joint stock company, operating in pipe manufacturing, from 2010G to 2008G. • Chief of sales and marketing at Maharashtra Seamless Company Limited, New Delhi, an Indian limited liability company, operating in the manufacture of pipes and seamless pipes, from 1995G to 1997G. • Manager of oil and gas marketing at Maharashtra Seamless Company Limited, New Delhi, an Indian limited liability company, operating in the manufacture of pipes and seamless pipes, from 1993G to 1995G. • Executive assistant to the chairman, Maharashtra Seamless Company Limited, New Delhi, an Indian limited liability company, operating in the manufacture of pipes and seamless pipes, from 1990G to 1993G.

Source: The Company

5-5 Executive Management

The Company's Executive Management consists of a qualified team with the necessary expertise and skills to manage the Company under the supervision of the Board. The Chief Executive Officer shall conduct the day-to-day business of the Company in accordance with the directions and policies set by the Board, to ensure that the Company achieves its stated objectives defined by the Board.

5-5-1 Executive Management Departments in the Company

A. Finance and Accounting Department

The Finance and Accounting Department has many responsibilities, from bookkeeping to providing assistance to senior management's strategic decisions. The Finance and Accounting Department is tasked with ensuring the soundness and accuracy of financial information.

The responsibilities and functions of the Finance and Accounting Department include the following:

- Preparing payments and managing the working capital requirements of the Company.
- Managing customer credit and the collection policy, managing the vendor payment policy, providing financing advice and long-term financing.
- Preparing periodic balance sheet, financial reports and ensuring the soundness and accuracy of all financial information.
- Coordinating the preparation process of the Company's annual financial statements with the external auditors.
- Providing up-to-date financial and administrative information to senior management.
- Preparing annual budgets and expectations and ensuring their compatibility.
- Monitoring the Company's performance against set budgets and producing monthly reports.
- Participating in the preparation of long-term and short-term financial and management plans.

B. Human Capital and General Administration Department

The Human Capital and General Administration Department is responsible for human resources and administration tasks including securing the Company's qualified personnel and creating an attractive work environment that helps employees stabilize and continue to serve the Company while managing their performance to ensure business continuity and growth.

The responsibilities and functions of the Human Capital and General Administration Department include the following:

- Manpower resource planning as well as identifying the Company's annual needs for human resources.
- Recruiting and interviewing new employees, training workers and providing suitable accommodation.
- Managing payroll, incentives and bonuses.
- Maintaining interdepartmental relationships.
- Developing, coordinating and implementing human resources policies, and provide advice and guidelines to the management and staff on employees matters.
- Tracking and applying changes to labor laws and works for the benefit of both employees and the Company.

C. Sales and Marketing, Central Planning and Contract Management Department

The Sales and Marketing, Central Planning and Contract Management Department plays a vital role in promoting the Company's business and mission.

The responsibilities and functions of the Sales and Marketing, Central Planning and Contract Management Department include the following:

- Developing marketing strategies that achieve the Company's goals and plans.
- Monitoring the market, receiving customer requests, and maintain relationships with customers and agents to ensure business sustainability.
- Promoting the Company's products and services to existing and prospective customers.
- Ensuring customer satisfaction in terms of cost delivery and service.

D. Operations Department

The Operations Department is responsible for managing the process of manufacturing the goods and services of the Company while balancing revenues and costs to achieve the highest possible operating profit. Five main units operate under the Operations Department which are: the Pipes and Double Joint Unit, Coating Unit, Procurement Unit, Health, Safety and Environment Unit, and Logistics Unit.

1) Pipes & Double Jointing Unit

The Company has specialized technical staff with significant experience in the pipe and double jointing industry. The technical team is self-sufficient in terms of operating the Company's plants.

The main responsibilities and functions of the Pipes and Double Jointing Operations Unit include the following:

- Preparing production plans in coordination with the Sales and Marketing Department as well as Finance Department.
- Requesting raw materials for HSAW Pipes.
- Preforming inspection of raw materials to ensure adherence to quality.
- Establishing production processes to deliver high quality HSAW Pipes that meet quality standards.
- Planning and supervising upgrades and maintenance requirements.
- Ensuring availability of manpower.
- Training of manpower.

2) Coating Unit

The Company has specialized technical staff with significant experience in the coating industry. The technical team is self-sufficient in terms of operating the Company's plants.

The main responsibilities and functions of the Coating Unit include the following:

- Preparing production plan in coordination with the Sales and Marketing and Finance Departments.
- Requesting raw materials for coating services.
- Preforming inspection of raw materials to ensure adherence to quality.
- Establish production processes to deliver high quality coating that meet quality standards.
- Planning and supervising upgrades and maintenance requirements.
- Ensuring availability of manpower.
- Training of manpower.

3) Procurement Unit

The Procurement Unit plays a supporting role in terms of sourcing and procuring raw materials, equipment, spare parts and other production requirements. This includes negotiating with and purchasing from local and foreign suppliers, clearance, transportation, storage, handling and quality control. Furthermore, the Procurement Unit works closely with suppliers to ensure steady supply and seeks out new suppliers and channels that could reduce costs, while maintaining quality.

The main responsibilities and functions of the Procurement Unit include the following:

- Implementing quality policy and quality management system in the Procurement Unit.
- Approving the suppliers and sourcing products, components and/or activities at the right price, quality, quantity and on time.
- Managing and authorizing the purchase orders for critical and non-critical products, components or activities purchases after approval of designated authority.
- Evaluating the vendors and performing reevaluation when necessary.
- Overseeing operational systems, processes, and infrastructure while looking for opportunities for improvement or revision.
- Planning, organizing, coordinating, and controlling all the resources needed to run the production process.
- Monitoring stocks for slow moving stock including marketing and sales of leftovers like slabs, plates, etc.
- Advising the marketing team on the prices of raw material and consumables as well as working with sales teams to help set and meet the Company's target and goals and establishing and maintaining credible, professional relationships with customers and external vendors.

4) Health, Safety and Environment Unit

The Health, Safety and Environment Unit monitors health and safety, assesses risk, and designs strategies to reduce potential hazards within the workplace or geographic area.

The main responsibilities and functions of the Health, Safety and Environment Unit include the following:

- Monitoring health,safety risks and hazards in the plants and advising employees on how to minimize or ultimately avoid risks and hazards in the workplace.
- Ensuring the Company is legally compliant with all health and safety and environmental legislation.
- Working with and training all employees to manage, monitor and improve the health and safety standards in the workplace.
- Being responsible for all safety inspections in the workplace.
- Assisting with the creation and management of health and safety monitoring systems and policies in the workplace.
- Managing emergency procedures and organizing emergency teams such as fire marshals and first aiders.

5) Logistics Unit

The Logistics Unit ensures that the entire process of logistics is maintained and developed in accordance with the goals of the Company at an acceptable cost. This includes storage, distribution, warehousing, movement of goods from one place to another (internally or externally), and tracking and delivery of goods.

The main responsibilities and functions of the Logistics Unit include the following:

- Planning, managing, controlling and coordination to make sure that the goods reach the right place, at the right time, for the right cost and in the right condition.
- Ensuring all the requirements of the customers are met on time and in an efficient and safe manner.
- Drafting plans, policies and procedures for the successful implementation of logistics system.
- Maintaining coordination with vendors, service providers and transport carriers.

E. Quality Control Department

The Quality Control Department set the procedures intended to ensure that the manufactured product adheres to the defined national and international standards quality criteria and specifications as well as customers' requirements.

The main responsibilities and functions of the Quality Control Department include the following:

- Monitoring operations to activities to ensure that they meet production standards.
- Recommending adjustments to the production process.
- Promoting the use of process and risk-based approach.
- Maintaining quality management system in the organization in accordance with ISO 9001:2015 & API spec Q1.
- Providing communication for the implementation of an effective quality management system.
- Ensuring the integration of the quality management system requirements into the organization's business process.
- Ensuring the quality of products supplied to customer is in accordance with the applicable standards, approved specification and as per customers' requirements.
- Inspecting, testing, or measuring materials or products being produced.
- Ensuring testing, measuring and monitoring of equipment is calibrated and records are maintained.
- Providing the required training for the development of department employees.

5-5-2 Members of the Company's Executive Management

The following table contains details of the Company's Executive Management as of the date of this Prospectus:

Table (5-27): The Company's Executive Management

Name	Position	Nationality	Age	Hiring Date	Percentage of Direct and Indirect Ownership	
					Pre-Offering	Post-Offering
Vipul Shiv Sahai Mathur	Managing Director	Indian	50 years	2013G	-	-
Mohammed Abdulaziz Mohammed Al-Shaheen	Chief Executive Officer	Saudi	44 years	20/10/1442H (corresponding to 01/06/2021G)	-	-
Mohammed Saleh Ali Darweesh	Chief Financial Officer	Egyptian	43 years	10/01/1442H (corresponding to 18/08/2021G)	-	-
Abdullah Mohammed Abo Shareefah	Manager of Human Capital and General Administration Department	Saudi	51 years	10/01/1442H (corresponding to 18/08/2021G)	-	-
Idhah Mohammed Atiah Al-Zahrani	General Manager of Sales and Marketing, Central Planning and Contract Management Department	Saudi	52 years	24/09/1434H (corresponding to 08/01/2013G)	-	-
Sanjay Kant Shrivastava	Vice President of Operations	Indian	56 years	23/03/1440H (corresponding to 01/12/2018G)	-	-
Dhavalkumar Vora	Senior Manager of Quality Control	Indian	43 years	21/03/1437H (corresponding to 01/01/2016G)	-	-

Source: The Company

5-5-3 Employment Contracts with the Chief Executive Officer and the Chief Financial Officer

The following table sets out a summary of the employment contracts entered into between the Company and the Chief Executive Officer and Chief Financial Officer.

Table (5-28): Summary of the Employment Contracts of the Chief Financial Officer and Chief Executive Officer

Name	Title	Date of Contract	Term of Contract
Mohammed Saleh Ali Darweesh	Chief Financial Officer	10/01/1442H (corresponding to 18/08/2021G)	One Gregorian year, renewed by the agreement of both parties
Mohammed Abdulaziz Mohammed Al-Shaheen	Chief Executive Officer	20/10/1442H (corresponding to 01/06/2021G)	One Gregorian year, renewed by the agreement of both parties

Source: The Company

5-5-4 Summary of the Resumes of Members of the Executive Management

The following tables include a summary of the resumes of the members of Executive Management:

Table (5-29): Summary of Vipul Shiv Sahai Mathur's Resume

Name	Vipul Shiv Sahai Mathur
Title	Managing Director
Resume	Please see Section 5-3-6"**Summary of the Resumes of Directors and Board Secretary**" of this Prospectus.

Source: The Company

Table (5-30): Summary of Mohammed Saleh Ali Darweesh's Resume

Name	Mohammed Saleh Ali Darweesh
Title	Board Secretary and Chief Financial Officer
Resume	Please see Section 5-3-6 "**Summary of the Resumes of Directors and Board Secretary**" of this Prospectus.

Source: The Company

Table (5-31): Summary of Mohammed Abdelaziz Mohammed Al-Shaheen's Resume

Name	Mohammed Abdelaziz Mohammed Al-Shaheen
Title	Chief Executive Officer and Member of the Executive Committee
Resume	Please see Section 5-3-6 "**Summary of the Resumes of Directors and Board Secretary**" of this Prospectus.

Source: The Company

Table (5-32): Summary of Idhah Mohammed Atiah Al-Zahrani's Resume

Name	Idhah Mohammed Atiah Al-Zahrani
Age	52 years
Nationality	Saudi
Title	General Manager of Sales and Marketing, Central Planning and Contract Management Department
Academic Qualifications	• Bachelor of Science with specialization in Civil Engineering, King Fahd University of Petroleum and Minerals, Saudi Arabia, 1993G.
Current Positions	• General Manager of Sales and Marketing, Central Planning and Contract Management Department at the Company from 2013G to date.
Key Past Experience	• Branch manager at Amiantit Group, a Saudi joint stock company, operating in the manufacturer of fiberglass reinforced thermosetting epoxy-resin pipe industry, from 1993G to 2010G.

Source: The Company

Table (5-33): Summary of Sanjay Kant Shrivastava's Resume

Name	Sanjay Kant Shrivastava
Age	56 years
Nationality	Indian
Title	Vice President of Operations
Academic Qualifications	• Master of Tech with specialization in Industrial Metallurgy, I.T.T Madras Chennai University, India, 1989G.
Current Positions	• Vice president of operations department at the Company from 2018G to date.
Key Past Experience	• Senior vice president at Welspun Corp Limited, an Indian public limited listed company, operating in the steel pipes and coating industry, from 2012G to 2018G. • Senior vice president at Man Industries Limited, an Indian public limited listed company, operating in the manufacturing industry, from 2010G to 2011G.

Source: The Company

Table (5-34): Summary of Dhavalkumar Vora's Resume

Name	Dhavalkumar Vora
Age	43 years
Nationality	Indian
Title	Senior Manager of Quality Control
Academic Qualifications	• Diploma in Fabrication (Mechanical), SIR BPTI University, India, 1997G
Current Positions	• Senior manager of Quality Control Department at the Company from 2015G to date.

Key Past Experience	• General manager of quality control department at Welspun Corp Limited, an Indian listed public company, operating in the steel pipes and coating industry, from 2007G to 2015G. • Manager of quality assurance/quality control department at MAN Industries, a Saudi limited liability company, operating in the pipes industry, from 2006G to 2007G. • Quality assurance/quality control senior Eengineer at Welspun Gujarat Stahl Rohren, an Indian limited liability company, operating in the pipes industry, from 2000G to 2005G. • Quality assurance/quality control engineer, Inox India, and Indian limited company, operating in the manufacturing industry, from 1997G to 2000G. • Trainee engineer at Kilburn Engineering LTD, and Indian limited company, operating in the design and manufacture of Rotary Dryers, Coolers and Calciners industry, from 1996G to 1997G. • Trainee engineer at Larsen & Toubro, an Indian limited company, operating in the technology, engineering, construction, manufacturing and financial services industry, from June 1996G to 1999G.

Source: The Company

Table (5-35): Summary of Abdullah Mohammed Abo Shareefah's Resume

Name	Abdullah Mohammed Abo Shareefah
Age	51 years
Nationality	Saudi
Title	Manager of the Human Capital and General Administration Department
Academic Qualifications	• Bachelor of Public Relations, King Saud University, KSA, 1993G.
Current Positions	• Manager of Human Capital and General Administration, the Company, from 2021G to date.
Key Past Experience	• Senior manager of human resources and administration, Saudi Pipes Company, a Saudi joint stock company, operating in the manufacture of welded carbon steel pipes and external coating, KSA and the Middle East, from 2000G to 2020G.

Source: The Company

5-6 Remuneration of the Board and Executive Management

The table below sets out details of the remuneration of the Board of Directors and five members of the Executive Management who received the highest remuneration and compensation from the Company (including the Chief Executive Officer and the Chief Financial Officer) for the financial years ended March 31,2019G, 2020G and 2020G:

Table (5-36): Remuneration of the Board and Top Five members of the Executive Management

(SAR)	2019G	2020G	2021G
Board of Directors	-	-	
Committee Members	95,000	98,004	220,000
Top Five Members of the Executive Management (including the Chief Executive Officer and the Chief Financial Officer)	397,765	421,695	1,035,358
Total	**492,765**	**519,699**	**1,225,358**

Source: The Company

5-7 Corporate Governance

The Company adopted its internal corporate governance charters, which include the Audit Committee charter and the Nominations and Remuneration Committee charter, pursuant to the Extraordinary General Assembly resolution dated 14/02/1443H (corresponding to 21/09/2021G) based on the Board recommendation dated 14/02/1443H (corresponding to 21/09/2021G) in accordance with Articles 60, 64, and 94 of the CGRs. The Board also adopted the Executive Committee charter on 13/02/1443H (corresponding to 20/09/2021G).

The Company complies with all mandatory governance requirements applicable to joint stock companies, except certain provisions that are only applicable on listed companies, given that the Company's shares are not listed yet on Tadawul, which are:

- Paragraph (a) of Article 8 concerning the announcement of the information of the nominees to the Board on the CMA's website when the General Assembly is called to convene.
- Paragraph (c) of Article 8 related to voting in the General Assembly which shall be confined to the Board nominees whose information has been announced as per Paragraph (a) of Article 8.
- Paragraph (d) of Article 13 related to the publication of the invitation to the General Assembly on Tadawul's website and the Company's website.
- Paragraph (c) of Article 14 related to the availability of information on the items of the General Assembly through Tadawul's website and the Company's website.
- Paragraph (e) of Article 15 related to disclosing the results of the General Assembly meeting to the public, the CMA and Tadawul through Tadawul's website and the Company's website.
- Paragraph (d) of Article 17 related to notifying the CMA of the names of Directors, their membership status and any changes to their membership.
- Paragraph (b) of Article 19 related to notifying the CMA and Tadawul immediately upon the expiry of the membership of the Directors for any reasons.
- Article 68 related to the announcement of the nominees for the Board on the Company's website and the website of Tadawul in order to invite persons wishing to nominate themselves to the Board.
- Article 89, Article 90, Paragraph (b) of Article 91, Article 92 and Article 93, related to disclosure policies and procedures.

5-8 Conflict of Interest

Neither the Company's Bylaws nor any of its internal policies grant any powers enabling a Director to vote on a contract in which he/she has a direct or indirect interest, pursuant to the provision of Article 71 of the Companies Law, which states that a Director shall not have any direct or indirect interest in the transactions and contracts of the Company unless authorized by the General Assembly.

Pursuant to Article 71 of the Companies Law, a Director must inform the Board of any personal interest he/she may have in a transactions or contracts made for the account of the Company. The Chairman must disclose to the Ordinary General Assembly, when held, the transactions and contracts in which any Director has an interest. Such disclosure must be accompanied by a special report from the auditor, and must be recorded in the minutes of the Board's meeting. The interested Director may not participate in voting on the resolution to be adopted in this respect. Based on the above, the Directors declare that they will:

- comply with Articles 71 and 72 of the Companies Laws and Articles 44 and 46 of the CGRs;
- abstain from voting on contracts entered into with the related parties in the General Assembly meetings if they have either direct or indirect interest therein; and
- not compete with the Company's business and that all transactions with related parties in the future will be conducted on an arm's length basis in accordance with the provisions of Article 72 of the Companies Law.

As of the date of this Prospectus, none of the Directors, members of the Executive Management, Board Secretary nor any of their relatives has any direct or indirect interest in the shares of the Company or any other matter that can affect the Company's business, except as disclosed in Section 5-3 "**Board of Directors**," Section 5-5 "**Executive Management**" and Section 12-5 "**Material Agreements with Related Parties**" of this Prospectus.

In addition, as of the date of this Prospectus, none of the Directors, members of the Executive Management, Board Secretary nor any of their relatives has any interest in any current or proposed contract or arrangement with the Company, except as disclosed in Section 12-5 "**Material Agreements with Related Parties**" of this Prospectus.

5-9 Bankruptcy and/or Insolvency

The Company hereby declares that, as of the date of this Prospectus, none of its Directors, members of its Executive Management or its Board Secretary have been declared bankrupt. The Company also declares that, as of the date of this Prospectus, none of the companies in which the Directors, members of Executive Management and Board Secretary held an administrative or supervisory position has been declared insolvent in the past five years.

5-10 Employee Shares

The Company has no existing employee share schemes prior to applying for registration and offering of its securities. None of the Company's employees own any share therein, and there are no other arrangements involving the employees in the capital of the Company (for further information about the employees in the Company and commitment to Saudization, please refer to Section 4-9 "**Employees**" of this Prospectus).

6- Management Discussion and Analysis of Financial Position and Operating Results

This section presents an analytical review of the Company's operational performance and financial position during the financial years ended 31 March 2019G, 31 March 2020G and 31 March 2021G. This section is based on the Company's audited financial statements for the financial years ended March 2019G, 2020G and 2021G as well as the audited financial statements of Welspun Pipes Coating Company for the financial years ended 31 March 2019G, 2020G, and the period from 1 April 2020G to 20 July 2020G (date of merger) and the proforma financial information of the Company for the year ended 31 March 2021G (in addition to the proforma comparative financial information for the years ended 31 March 2019G and 31 March 2020G).

The audited financial statements of the Company for the financial years ended 31 March 2019G, 31 March 2020G and 31 March 2021G and the audited financial statements of Welspun Pipes Coating Company for the financial years ended 31 March 2019G, 31 March 2020G and the period from 1 April 2020G to 20 July 2020G have been prepared in accordance with International Financial Reporting Standards (IFRS) applied in the Kingdom of Saudi Arabia and other standards and publications approved by the Saudi Organization for Chartered and Professional Accountants (SOCPA). The Company's financial statements for the financial years ended 31 March 2019G, 31 March 2020G and 31 March 2021G and the financial statements of Welspun Pipes Coating Company for the financial years ended 31 March 2019G, 31 March 2020G and the period from 1 April 2020G to 20 July 2020G have been audited by PricewaterhouseCoopers, Certified Public Accountants (hereinafter referred to as the "Chartered Accountant" or "Auditor") as described in their audit reports. In addition, the Company's proforma financial information for the year ended 31 March 2021G has been prepared by the Company's management in accordance with the Company's accounting policies which is verified by the Auditor (PricewaterhouseCoopers, Certified Public Accountants) in accordance with the International Standard on Assurance Engagements No. 3420 (ISAE 3420). With regard to the proforma financial information of the Company for the financial years ended on 31 March 2019G and 31 March 2020G, they were based on the comparative figures for the proforma financial information of the Company for the year ended on 31 March 2021G. During the year 2019G, the Company's Board of Directors recommended merging the Company with Welspun Pipes Coating Company, which is a limited liability company registered in the Kingdom of Saudi Arabia and owned by the Company's shareholders with the same shareholding percentage (under joint control).

The Company's shareholders signed an agreement on 21/09/1441H (corresponding to 14 May 2020G), whereby it was agreed to merge Welspun Pipes Coating Company's operations and all its assets, rights, liabilities and obligations with the Company effective 10/12/1441H (corresponding to 21/07/2020G). Under the terms of the above-mentioned agreement and as both the Company and Welspun Pipes Coating Company are under common control, there is no consideration to be paid and the book values of assets and liabilities of Welspun Pipes Coating Company will be transferred to the Company on the effective date of the merger.

This section includes:

- Discussion and analysis of the Company and Welspun Pipes Coating Company which became part of the Company from the effective date of the merger; and
- Proforma financial statements reflecting the consolidated position for the Company and Welspun Pipes Coating Company for the years ended 31 March 2019G, 2020G and 2021G. The purpose of proforma financial information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration.

All figures in this section have been presented in Saudi Arabian Riyals (SAR) and have been rounded up to the nearest thousand. As such, if summed, the numbers may differ to those which are stated in the tables. Subsequently, all annual percentages, margins, expenses and compounded annual growth rates "CAGRs" are based on the rounded figures.

This section may contain forward-looking statements in connection with the Company's future capabilities, based on its management's current plans and expectations regarding the Company's growth, results of operations and financial conditions, and as such may involve risks and unconfirmed expectations. Actual results of the Company could differ materially from those expressed or implied by these expectations, as a result of various factors and future events, including factors discussed in this section or elsewhere in this Prospectus, particularly those set out in section No. 2 "**Risk Factors**" of this Prospectus.

6-1 Board of Directors Declaration on Financial Statements

The Directors declare that the financial information presented in this section is extracted without material changes and are presented to be consistent with the Company's audited financial statements for the years ended 31 March 2019G, 2020G and 2021G and the audited financial statements of Welspun Pipes Coating Company for the financial years ended 31 March 2019G, 31 March 2020G and the period from 1 April 2020G to 20 July 2020G which were prepared by the Company in accordance with the International Financial Reporting Standards (IFRS), in addition to the proforma financial information for the year ended 31 March 2021G and the proforma comparative financial information for the years ended 31 March 2019G and 31 March 2020G prepared by the Company's management in accordance with the Company's accounting policies.

The members of the Board of Directors declare that the Company has sufficient working capital for the next twelve months (12) following the date of this Prospectus.

The members of the Board of Directors declare that there were no material adverse changes on the Company's financial or commercial position in the three financial years directly preceding the date of the listing application by the Company for the registration and offering of securities until the date of issuing this Prospectus, with the exception of what is mentioned in section No. 2 "**Risk Factors**" and section No. 6 "Management's Discussion and Analysis of the Financial Situation and Results of Operations" of this Prospectus.

The members of the Board of Directors declare that the Company does not have any properties, including contractual financial securities or other assets, the value of which are subject to fluctuations or are difficult to ascertain, which significantly affects the evaluation of the financial position.

The members of the Board of Directors declare that all material facts regarding the Company and its financial performance have been disclosed in this Prospectus, and that there are no other facts or omission of which would make any statement herein misleading.

The members of the Board of Directors declare that no commissions, discounts, brokerage fees or any non-cash compensation were granted by the company in relation to the issuance or offering of any securities during the three (3) years immediately prior to the date of submitting the registration application and offering the securities subject to this Prospectus.

The members of the Board of Directors declare that the Company does not have any loans or any other liabilities including overdraft balance and declare that there are no guarantee liability (either covered by personal guarantee or non-personal guarantee), liabilities under acceptances, credits or any hire purchase commitments except what has been disclosed in sub-section No. 12.4.3 "**Financing Agreements**" and section No. 6 "**Management Discussion and Analysis of Financial Position and Operating Results**" of this Prospectus.

The members of the Board of Directors declare that there are no mortgages, rights, burdens or costs on corporate property as at the date of this Prospectus, except for what was disclosed in sub-section No. 12.4.3 "**Financing Agreements**" and section No. 6 "**Management Discussion and Analysis of Financial Position and Operating Results**" of this Prospectus.

The members of the Board of Directors declare that the Company's capital is not part of any right's issue.

The members of the Board of Directors also declare on the suitability of the adopted and applied policy of forming doubtful debts provisions in accordance with the International Financial Reporting Standard (9) - Expected Credit Losses - and the International Financial Reporting Standard (15) - according to which revenues and receivables are recognized based on the five-step model. This is as indicated in the accounting policies in this Prospectus, and that the current provision for doubtful debts as far as they are aware is sufficient.

6-2 Key Factors Affecting the Company's Performance

The following is a discussion of the most significant factors that have affected or are expected to affect the Company's financial position and results of operations. These factors are based on the information currently available to the Company and may not represent all the factors that may have an impact on the Company's business. Please refer to section No. 2 "**Risk Factors**" of this Prospectus.

6-2-1 General economic conditions

The Company's products are used in large infrastructure projects in water, oil and gas sectors. Projects in these sectors are closely linked to the level of government spending. The decline in oil prices commencing in 2014G resulted in a slowdown of the Saudi economy which recorded the first budget deficit since 2009G. As such, GDP declined in the following years resulted in reduced government spending, including the spending on infrastructure projects. In response, the government of Saudi Arabia introduced a number of government reforms including its Vision 2030 programme focussing on economic diversification, increased non-oil revenue and private sector development. The Vision 2030 programme includes a number of initiatives including the building of new cities, housing, financial sector reform and privatisation which are expected to benefit the demand for HSAW pipes.

6-2-2 Customer orders and backlog

Work on large infrastructure projects often spans more than one year and therefore the delivery of the order received from customers may be over more than one year. Undelivered orders are part of the Company's orderbook (backlog). The Company's performance is closely co-related to the strength of its orderbook / backlog. The Company therefore is keenly focussed on developing its competitive advantages to be able to continue to win new orders. It has significantly invested in production capacity, integrated production, operational efficiency and customer relationships to be able to win new orders for ongoing projects as well as take advantage of new opportunities such as those from the expected privatisation of SWCC.

6-2-3 Raw material prices

The Company obtains orders from customers mainly through an active bidding process. The Company prices its bids on the basis of prevailing and expected raw material prices, mainly the price of hot-roll coils which is the major raw material component. The prices of hot-roll coils are closely linked to steel prices which vary according to a number of demand and supply factors. The Company seeks to price its bids taking into account the expected movement in steel prices and keep a strict control over plant conversion costs to mitigate the effects of changes in prices of hot roll coils.

6-3 Basis of preparation and summary of significant accounting policies for the Company and Welspun Pipes Coating Company

The basis of preparation and summary of significant accounting policies mentioned below are commonly applied between the Company and Welspun Pipes Coating Company, unless otherwise stated.

6-3-1 Summary of significant accounting policies

A. Statement of compliance

These financial statements of the Company have been prepared in compliance with International Financial Reporting Standards ("**IFRS**"), that are endorsed in the Kingdom of Saudi Arabia, and other standards and guidance issued by the Saudi Organization for Chartered and Professional Accountants ("**SOCPA**").

B. Historical cost convention

The Company's financial statements for the financial years ended 31 March 2019G, 2020G and 2021G in addition to the audited financial statements of Welspun Pipes Coating Company for the financial years ended 31 March 2019G and 2020G are prepared under the historical cost convention except where IFRS requires other measurement basis as disclosed in the relevant accounting policies. The financial statements of Welspun Pipes Coating Company for the period from 1 April 2020G to 20 July 2020G have not been prepared on a going concern basis.

C. New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their reporting periods commencing on or after 1 April 2019G.

Amendment to IFRS 9, 'Financial instruments', on modification of financial liabilities

This amendment applies when a financial liability, measured at amortised cost, is modified without this resulting in a de-recognition. A gain or loss should be recognised immediately in the profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39. No material impact was identified.

Annual improvements to IFRS Standards 2015G-2017G – applicable to the Company only

These amendments include minor changes to IAS 23 - Borrowing costs - a company treats as part of general borrowings any long-term borrowing originally made to develop a qualified asset when the asset is ready for its intended use or sale. No material impact was identified.

Amendments to IAS 19 - Employee benefits on plan amendment, reduction or settlement

These amendments require an entity to:

- use updated assumptions to determine the current service cost and net interest for the reminder of the period after a plan amendment, reduction or settlement and
- recognise in profit or loss as part of past service cost, a gain or a loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

No material impact was identified.

International Financial Reporting Interpretations Committee ("IFRIC") 23 – Uncertainty over income tax treatments

This IFRIC clarifies how the recognition and measurement requirements of IAS 12 - Income taxes, are to apply where there is uncertainty over income tax treatments. The IFRIC had clarified previously that IAS 12, not "IAS 37 - Provisions, contingent liabilities and contingent assets", applies to accounting for uncertain income tax treatments.

IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority.

IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Company has also evaluated the impact of applying the interpretation related to uncertainty in income tax treatments and has included the relevant adjustments in the financial statements. No material impact was identified.

Adoption of IFRS 16

a. Transition approach and impact

The Company has adopted IFRS 16 since 1 April 2019G, using the modified retrospective method, and has not restated comparatives for the 31 March 2019G reporting period, as permitted under the specific transitional provisions in IFRS 16. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the statement of financial position on 1 April 2019G.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of 1 April 2019G. The equal and opposite side of the lease liability calculated, is the right-of-use asset. Therefore, there is no adjustment against opening accumulated deficit as at the transition date i.e. 1 April 2019G. The weighted average incremental borrowing rate applied to the lease liabilities on 1 April 2019G was 4.50%.

The adoption of IFRS 16 has resulted in recognition of right-of-use assets and lease liabilities of SAR 38.6 million as of 1 April 2019G. In applying IFRS 16 for the first time, the Company has not used any practical method permitted by the standard.

b. **Reconciliation of operating lease commitments disclosed as at 31 March 2019G and lease liabilities recognized as at 1 April 2019G:**

Table (6-1): Reconciliation of the Company's operating lease commitments

Currency: SAR000	
Operating lease commitments disclosed as at 31 March 2019G	17,198
Adjustment resulting from assessment of lease contract under IFRS 16	27,306
Less: Impact of discounting using the Company's incremental borrowing rate at the date of initial application	(5,920)
Lease liabilities recognized as at 1 April 2019G	**38,584**
Presented as :	
Current portion of lease liabilities	6,506
Non-current portion of lease liabilities	32,078
	38,584

Source: Audited Financial Statements for the financial year ended 31 March 2020G of the Company.

Table (6-2): Reconciliation of operating lease commitments for Welspun Pipes Coating Company

Currency: SAR000	
Operating lease commitments disclosed as at 31 March 2019G	3,163
Less: Impact of discounting using the Company's incremental borrowing rate at the date of initial application	(823)
Adjustment resulting from assessment of lease contract under IFRS 16	437
Lease liabilities recognized as at 1 April 2019G	**2,777**
Presented as :	
Current portion of lease liabilities	178
Non-current portion of lease liabilities	2,599
	2,777

Source: Audited Financial Statements for the financial year ended 31 March 2020G of Welspun Pipes Coating Company.

Table (6-3): Reconciliation of operating lease commitments for the proforma consolidated Company

Currency: SAR000	
Operating lease commitments disclosed as at 31 March 2019G	20,361
Add: Adjustment as a result of assessment of lease contract under IFRS 16	27,743
Impact of discounting using the Company's incremental borrowing rate at the date of initial application	(6,743)
Lease liabilities recognized as at 1 April 2019G	**41,361**
Presented as :	
Current portion of lease liabilities	6,684
Non-current portion of lease liabilities	34,677
	41,361

Source: Proforma financial statements for the financial year ended 31 March 2021G of the Company.

The Company also applied the following standards and amendments for the first time for the reporting periods on 31 March 2021G:

- Definition of Material - amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors";
- Definition of a Business - amendments to IFRS 3 "Business Combinations";
- Interest Rate Benchmark Reform - amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"; and
- Revised Conceptual Framework for Financial Reporting.

No material impact was identified upon adoption of the new and amended standards.

D. Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2021G reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact in the current or future reporting periods and on foreseeable future transactions.

6-3-2 Revenue

The Company recognizes revenue based on a five-step model as set out under IFRS 15.

IFRS 15 requires that revenue is recognized from contracts with customers based on a five-step model as follows:

- Identification of contract with the customer;
- Identification of performance obligations in the contract;
- Determination of transaction price;
- Allocation of transaction price to performance obligations in the contract; and
- Recognition of revenue when the Company satisfies performance obligation.

Revenue from sale of goods

Revenue is measured at the fair value of the consideration received or receivable net of returns and allowances, if any, for the sale of goods in the ordinary course of the Company's activities. The Company recognizes revenue when control of the goods has transferred, being when the products are delivered to the customer, the customer has full discretion over the use or sale of such goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been acknowledged by the customer through third party inspection documents and material release notes, the risks of obsolescence and loss have been transferred to the customer, the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered or acknowledged by the customer as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. In determining the transaction price for the sale of goods, the Company considers the effects the existence of significant financing components. The Company receives long-term advances from customers for the sale of goods. The transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Company and its customers at contract inception, to take into consideration the significant financing component.

Revenue from coating services

Revenue is measured at the fair value of the consideration received or receivable net of returns and allowances, if any, for the rendering of the services in the ordinary course of the Company's activities.

The Company provides coating services on pipes provided by the customers. Revenue from coating services is recorded over time using the output method as the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The customer receives and consumes the benefit over the services period and the Company has an enforceable right to invoice upon third party inspection. The services are billed to the customer upon acknowledgment by the customer through third party inspection.

The Company does not have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

6-3-3 Foreign currencies

A. Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in "Saudi Riyals", which is the Company's presentation as well as functional currency.

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 other than Saudi Riyals are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

6-3-4 Zakat and taxes

In accordance with the regulations of the Zakat, Tax and Customs Authority ("**ZATCA**"), the Company is subject to zakat attributable to Saudi shareholding and to income tax attributable to the foreign shareholding in the Company. Provisions for zakat and income tax are charged to profit or loss for the year. Additional amounts, if any, are accounted for when determined to be required for payment. Further, the amounts for zakat and income tax expense for the year are presented in the statement of changes in equity in accordance with the guidance issued by SOCPA for joint stock companies in line with the terms of the agreement between the Company's shareholders.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred income tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Company withholds tax on certain transactions with non-resident parties in the Kingdom of Saudi Arabia, including dividends payment to the foreign shareholder, as required under the Saudi Arabian Income Tax Law.

6-3-5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred. Depreciation is calculated on property, plant and equipment so as to allocate its cost, less estimated residual value, on a straight-line basis over the estimated useful lives of the assets. The depreciation expense is recognised in profit or loss in the expense category consistent with the function of the property, plant and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. Major spare parts qualify for recognition as property, plant and equipment when the Company expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use.

Assets in the course of construction or development are capitalised in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of capital work-in-progress intended by management. Capital work-in-progress is not depreciated.

6-3-6 Leases

A. Accounting policy applied from 1 April 2019G

At the inception of the contract the Company assesses whether a contract is or contains a lease. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease liabilities

The lease liability is initially measured at the net present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the individual lessee, which does not have recent third-party financing.
- makes adjustments specific to the lease, for example term, country, currency and security.

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives receivable.
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.
- amounts expected to be payable by the lessee under residual value guarantees.
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options.
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due); and
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 "Provisions, contingent liabilities and contingent assets". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the Rightof use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 "Impairment of Assets" to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the profit or loss.

B. Following lease accounting policy was applied until 31 March 2021G

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

6-3-7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be finite.

Intangible assets are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and carrying amount of the asset and are recognized in the profit or loss when the asset is derecognised.

6-3-8 Financial instruments

A. Financial assets

Classification

The Company classifies its financial assets as measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Recognition and derecognition

At initial recognition, the Company measure financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset. Transactions cost of financial assets carried at fair value through profit or loss are expensed in profit or loss.

The Company derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Measurement

Subsequent measurement of financial assets depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. The Company classifies its financial assets as measured at amortised cost. Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest are measure at amortised cost. A gain or loss on a financial instrument that is subsequently measured at amortized cost and is not part of the hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is calculated using the effective interest rate method.

Currently, the Company does not hold any equity instruments, therefore the related accounting policies are not presented.

B. Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss.

C. Offsetting financial assets and liabilities

Financial assets and liabilities are offset, and net amounts are 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 assets and liabilities simultaneously.

6-3-9 Impairment of financial assets

The Company assesses on a forward-looking basis the Expected Credit Loss ("**ECL**") associated with its financial assets carried at amortized cost.

For trade receivables and other financial assets, the Company applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables. The amount of the loss is charged to profit or loss.

The loss rates are based on probability of default based on historical trends relating to collections of Company's trade receivables. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant decrease in credit worthiness of the customer, the failure of the customer to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 720 days past due.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in profit or loss.

6-3-10 Impairment of non-financial assets excluding inventories

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CashGenerating Unit's ("**CGU**") fair value less costs to sell or its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

6-3-11 Inventories

Raw materials, spare parts, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Allowance for inventory obsolescence is made considering various factors including age of the inventory items, historic usage and expected utilization in future.

6-3-12 Trade receivables

Trade receivables are amounts due from customers for products sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for ECL.

6-3-13 Cash and cash equivalents

For the purpose of statement of financial position and presentation in the statement of cash flows, cash and cash equivalents include cash in hand, cash at banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6-3-14 Share capital

Ordinary shares are classified as equity.

6-3-15 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

6-3-16 Borrowings

Borrowings are initially recognised at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, long-term borrowings are measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as "other operating income - net" or "financing costs".

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

6-3-17 Employee benefit obligations

The Company operates a single post-employment benefit scheme of defined benefit plan driven by the labour laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plan is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income and transferred to retained earnings in the statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labour laws of the Kingdom of Saudi Arabia.

6-3-18 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, and which are reviewed by the Chief Operating Decision Maker of the Company.

The Board of Directors of the Company assesses the financial performance and position of the Company and makes strategic decisions. The Board of Directors has been identified as being the Chief Operating Decision Maker.

The financial statements are prepared on the basis of a single reporting segment consistent with the information reviewed by the Chief Operating Decision Maker of the Company. The business activities of the Company are concentrated in the Kingdom of Saudi Arabia. All operating assets of the Company are located in the Kingdom of Saudi Arabia.

6-3-19 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

6-3-20 Correction of material error in revenue recognition (applicable to Welspun Pipes Coating Company)

During the years ended 31 March 2019G and 2020G, Welspun Pipes Coating Company recorded its revenue at a point in time basis. During the period from 1 April 2020G to 20 July 2020G, Welspun Pipes Coating Company reassessed its contracts with customers and concluded to recognize its revenue on an over time basis to appropriately reflect the underlying contractual agreements between Welspun Pipes Coating Company and its customers. The error resulted in a material understatement of revenue and cost of revenue recognised for the year ended 31 March 2020G and a corresponding misclassification of "assets recognized as costs to fulfil a contract" presented under trade and other receivables as of 31 March 2020G, which is now classified as "contract assets" under trade and other receivables".

Management of the Company has corrected such error by restating the comparative financial information as follows:

Table (6-4): Statement of profit or loss and other comprehensive income for the year ended 31 March 2020G:

Currency: SAR000	As previously stated	The effect of the re-statement (correction)	Restated figures
Statement of profit or loss and other comprehensive income			
Revenue	122,118	15,280	137,380
Cost of Revenue	99,403	15,280	114,683
Statement of financial position			
Currency: SAR000			**Trade and other receivables**
As previously stated (before adjustment)			23,777
Derecognition of account "assets recognized as costs to fulfil a contract"			(15,280)
Recognition of account "contract assets"			15,280
Trade and other receivables (after correction)			**23,777**

Source: Welspun Pipes Coating Company's audited financial statements for the period from 1 April 2020G to 20 July 2020G.

The margins on such revenue were not material and hence were not recognized in the statement of profit or loss and other comprehensive income for the year ended 31 March 2020G. Accordingly, there was no material impact of such non-recognition of margin on the opening accumulated losses as of 1 April 2019G, statement of financial position as of 31 March 2020G, statement of profit or loss and other comprehensive income, statement of cash flows or statement of changes in equity for the year ended 31 March 2020G.

6-3-21 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates and judgments 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 revenue 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 judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. However, the Company's management, through the crisis management team, has proactively assessed the potential of the Covid-19 pandemic for any further regulatory and government restrictions both locally and in the market in which the Company operates that could adversely affect our supply chain and our production capabilities, demand of our products, as well as our sales distribution network that could cause a negative impact on our financial performance. Management has concluded that our critical accounting judgements, estimates and assumptions remain appropriate under the current circumstances.

Additional judgements for Welspun Pipes Coating Company: In response to the spread of the Covid-19 pandemic in the GCC and other territories where the Company operates and its consequential disruption to the social and economic activities in those markets, Company's management has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures, including activation of the crisis management team and associated processes to:

- ensure the health and safety of its employees and contractors as well as the wider community where it is operating; and
- minimizing the impact of the pandemic on its operations and product supply to the market.

Notwithstanding these challenges, the Company was successful in maintaining stable operations while manoeuvring limited demand interruptions to maintain product flow to the market. The Company's management believes that the Covid-19 pandemic, by itself, has had limited direct effects on Company's reported results for the year ended 31 March 2020G.

The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period are discussed below:

A. Useful lives of property, plant and equipment

The Company's management determines the estimated useful lives of property, plant and equipment for computing depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Residual value and useful lives are reviewed annually, and future depreciation charges are adjusted where the useful lives differ from previous estimates. At year end, if the useful lives varied by 10% against the current useful lives with all other variables held constant, the impact on profit for the year would have been:

The Company: SAR 3.4 million for the year ended 2021G.

Welspun Pipes Coating Company: SAR 0.8 million lower or SAR 0.9 million higher.

B. Impairment of non-financial assets

Management assess the impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors which could trigger an impairment review include evidence from internal and external sources related to the changes in technological, market, legal or economic environment in which the entity operates, changes in market interest rates and economic performance of the assets.

C. Right-of-use assets and lease liabilities

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

6-3-22 Additional estimates for the Company:

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

For leases of parcels of land and buildings, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate); and
- if any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).

Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Lease payments are deducted using the interest rate implicit in the lease. If this rate cannot be easily determined and this is generally the case for the lease contracts in the Company, then the additional borrowing rate of the lessee is used, as it represents the rate that the company must pay to borrow the amounts necessary to obtain assets of similar value to the rights-of-use assets in a similar economic environment with similar terms, guarantee and conditions.

6-4 Summary of financial information and key performance indicators

The selected financial information and key performance indicators of the Companies set out below should be read together with the audited financial information for the financial years ended 31 March 2019G, 2020G and 2021G including, in each case, the notes thereto, each of which are included in section No. 19 "**Financial Statements, Pro Forma Financial Information and Auditor's Report**" there on of this Prospectus.

6-4-1 Summary of the Company's Financial Information

Table (6-5): Summary of financial information and key performance indicators of the Company

Currency: SAR000	2019G	2020G	2021G
Statement of income or loss and other comprehensive income			
Revenue	707,190	1,668,864	935,506
Cost of revenue	(725,958)	(1,332,512)	(705,309)
Gross profit (loss)	**(18,768)**	**336,352**	**230,197**
General and administrative expenses	(14,789)	(12,706)	(12,857)
Sales and marketing expenses	(11,516)	(7,657)	(5,547)
Expected credit loss provision	-	(3,928)	(2,498)
Other operating income - net	739	2,599	(1,616)
Operating profit / (loss)	**(44,334)**	**314,660**	**207,679**
Financing costs	(28,018)	(48,110)	(32,011)
Profit (loss) before zakat and income tax	**(72,352)**	**266,550**	**175,668**
Zakat expense	117	(4,577)	(5,596)
Income tax expense	2,936	(25,039)	(21,806)
Profit (loss) for the year	(69,300)	236,934	148,266
Other comprehensive loss			
Remeasurements of employee benefit obligations	(1,362)	1,273	(509)
Total comprehensive income (loss) for the year	(70,662)	235,660	147,757

Currency: SAR000	2019G	2020G	2021G
Statement of financial position			
Total non-current assets	256,805	261,144	304,227
Total current assets	571,724	887,407	514,622
Total assets	**828,529**	**1,148,550**	**818,849**
Total equity	**40,902**	**276,562**	**517,617**
Total non-current liabilities	190,972	143,762	46,340
Total current liabilities	596,655	728,226	254,892
Total liabilities	**787,627**	**871,988**	**301,232**
Total liabilities and equity	**828,529**	**1,148,550**	**818,849**
Statement of cashflows			
Net cash utilized in operating activities	(187,891)	(148,324)	357,387
Net cash utilized in investing activities	(23,438)	(2,893)	(1,459)
Net cash generated from financing activities	168,374	204,104	(382,762)
Cash and cash equivalents at beginning of year	59,192	16,237	69,124
Cash and cash equivalents at end of year	**16,237**	**69,124**	**42,316**
Quantity sold			
Quantity sold (Metric Tons in 000s)	313.4	514.1	273.3
Revenue per Metric Ton sold (SAR)	2,257	3,246	3,249
Cost of materials per Metric Ton sold (SAR)	2,010	2,347	2,418
Key performance indicators			
Gross profit margin (%)	(2.7)%	20.2%	24.3%
Net profit margin (%)	(9.8)%	14.2%	15.6%
Return on assets (%)	(8.4)%	20.6%	18.1%
Return on equity (%)	(169.4)%	85.7%	28.6%
Current ratio	1.0	1.2	2.0
Total assets to total liabilities	105.2%	131.7%	271.8%

Source: Audited Financial Statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company, and management information.

Result of operations of the Company

A. Statement of profit or loss and other comprehensive income

The following table sets out the Company's Statement of profit or loss and other comprehensive income for the financial years ended 31 March 2019G, 31 March 2020G and 31 March 2021G:

Table (6-6): Audited statement of profit or loss and other comprehensive income for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	2019G	2020G	2021G	Variance 2019G-2020G	Variance 2020G-2021G	CAGR
Statement of profit or loss and other comprehensive income						
Revenue	707,190	1,668,864	935,506	136.0%	(43.9)%	15.0%
Cost of revenue	(725,958)	(1,332,512)	(705,309)	83.6%	(47.1)%	(1.4)%
Gross profit (loss)	**(18,768)**	**336,352**	**230,197**	**(1,892.2)%**	**(31.6)%**	**N/A**
General and administrative expenses	(14,789)	(12,706)	(12,857)	(14.1)%	1.2%	(6.8)%
Selling and marketing expenses	(11,516)	(7,657)	(5,547)	(33.5)%	(27.6)%	(30.6)%
Expected credit loss provision	-	(3,928)	(2,498)	(100.0)%	(36.4)%	N/A
Other operating income - net	739	2,599	(1,616)	251.7%	(162.2)%	N/A
Operating profit / (loss)	**(44,334)**	**314,660**	**207,679**	**809.7%**	**(34.0)%**	**N/A**
Financing costs	(28,018)	(48,110)	(32,011)	71.7%	(33.5)%	6.9%
Profit (loss) before zakat and income tax	**(72,352)**	**266,550**	**175,668**	**(468.4)%**	**(34.1)%**	**N/A**
Zakat expense	117	(4,577)	(5,596)	(4,012.0)%	22.3%	N/A
Income tax expense	2,936	(25,039)	(21,806)	(952.8)%	(12.9)%	N/A
Profit (loss) for the year	**(69,300)**	**236,934**	**148,266**	**(441.9)%**	**(37.4)%**	**N/A**
Remeasurements of employee benefit obligations	(1,362)	(1,273)	(509)	(6.5)%	(60.0)%	(38.8)%
Total comprehensive income (loss) for the year	**(70,662)**	**235,660**	**147,757**	**(433.5)%**	**(37.3)%**	**N/A**
Nominal Capacity* (Metric Tons in 000s per annum)	300	375	375	25.0%	-	-
Quantity sold (Metric tons in 000s)	313.4	514.1	273.3	64.0%	(46.9)%	-
Average revenue per Metric Ton sold (SAR)	2,257	3,246	3,249	43.8%	0.1%	-
Average cost of materials per Metric Ton sold (SAR)	2,010	2,347	2,418	16.8%	3.0%	-
As a percentage of revenue				**Percentage points**		
Gross profit	(2.7)%	20.2%	24.6%	22.8	4.4	-
General and administrative expenses	(2.1)%	(0.8)%	(1.4)%	1.3	(0.6)	-
Selling and marketing expenses	(1.6)%	(0.5)%	(0.6)%	1.2	(0.1)	-
Operating profit / (loss)	(6.3)%	18.9%	22.2%	25.1	3.3	-
Profit (loss) for the year	(9.8)%	14.2%	15.8%	24.0	1.6	-

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company, and management information.

I) Revenue

The Company generates its revenue primarily through the sale of spiral Helical Submerged Arc Welded ("**HSAW**") pipes. The Company currently operates an HSAW pipe plant (the '**Spiral Plan**t') and a double-jointing plant, both of which are located in the Dammam Second Industrial City in the Eastern Province of the Kingdom of Saudi Arabia.

The Spiral Plant has a nominal capacity of 375 thousand Metric Tons per annum (assuming production of pipes with outer diameter of 48-inches and thickness of 11 millimetres). Nominal capacity can increase to 500 thousand Metric Tons per annum if the Company produces pipes with higher diameter and thickness specifications (the Spiral Plant can produce HSAW pipes with outer diameter ranging from 20-inches to 100-inches).

The Company also engages in coating of HSAW pipes. Prior to the merger with Welspun Pipes Coating Company which is explained in sub-section 4.1.2(f) "Merger with Welspun Pipes Coating Company (Dhul-Qi'dah 1441H corresponding to July 2020G)" of this Prospectus, coating activities were performed by Welspun Pipes Coating Company under a sub-contracting arrangement with the Company.

Revenues are generated through sales in connection with projects in the Water and Oil & Gas sectors.

Revenue increased at a CAGR of 15.1% from 2019G to 2021G.

Revenue increased by 136.0% from SAR 707.2 million in 2019G to SAR 1,668.9 million in 2020G mainly driven by the start of two new contracts related to the Water sector in KSA during the year (quantity sold increased from 313.4 thousand Metric Tons to 514.1 thousand Metric Tons over the same period). Average revenue per Metric Ton increased from SAR 3,246 to SAR 3,249 over the same period due to the increase in average selling price of the newly awarded projects such as the Neom city pipeline project, the utility projects with the Saline Water Conversion Corporation and the water transmission system project between Yanbu and Madinah.

Revenue decreased by 43.9% from SAR 1,668.9 million in 2020G to SAR 935.6 million in 2021G mainly driven by the Company's delivery of a large part of the utility projects with the Saline Water Conversion Corporation and the water transmission system project between Yanbu and Madinah during the year 2020G, in addition to the Company's suspension of work during the period from April 2020G to June 2020G as a result of the Corona pandemic.

2) Cost of revenue

Cost of revenue mainly includes cost of materials, salaries and benefits, depreciation and subcontractors' costs. Cost of revenue increased at a CAGR of 0.5% from 2019G to 2021G.

Cost of revenue increased by 83.6% from SAR 726.0 million in 2019G to SAR 1,332.5 million in 2020G primarily due to the increase in cost of Materials from SAR 630.0 million to SAR 1,206.4 million over the same period mainly driven by the increase in quantity sold from 313.4 thousand Metric Tons to 514.1 thousand metric tons, in addition to the increase in average cost of materials per metric ton by 16.8% from SAR 2,010 to SAR 2,347.

Cost of revenue decreased by (46.1)% from SAR 1,332.5 million in 2020G to SAR (705.3) million in 2021G primarily driven by the decrease in quantity sold during the same period from 514.1 thousand Metric Tons to 273.3 thousand Metric Tons despite the slight increase in the average cost of materials per Metric Ton by 3.0% from SAR 2,347 to SAR 2,418.

3) Gross profit (loss)

Gross profit increased from SAR (18.8) million in 2019G to SAR 336.4 million in 2020G driven by the increase in quantity sold from 313.4 thousand Metric Tons to 514.1 thousand Metric Tons over the same period which resulted in coverage of the plant fixed costs. Another factor that contributed to the increase in gross profit was the decrease in cost of materials as a percentage of revenue from 89.1% to 72.3% over the same period as a result of the decrease in international steel prices, in addition to an increase in production quantities, which led to an improvement in the cost of production.

Gross profit decreased from SAR 336.4 million in 2020G to SAR 230.2 million in 2021G, primarily due to the decrease in the quantity sold during the same period for the reasons mentioned above from 514.1 thousand Metric Tons to 273.3 thousand Metric Tons, despite the slight increase in the average cost of materials per Metric Ton by 3.0% from SAR 2,347 to SAR 2,418.

4) Selling and marketing expenses

Selling and marketing expenses mainly consist of rent expenses and employees' salaries and benefits. Selling and distribution expenses decreased at a CAGR of 30.6% from 2019G to 2021G.

Selling and marketing expenses decreased by 33.5% from SAR (11.5) million in 2019G to SAR (7.7) million in 2020G due to the decrease in the costs of labour contracts by SAR 2.7 million related to the sub-contracting of temporary labour for logistics support to the Company.

Selling and marketing expenses decreased by (27.6%) from SAR (7.7) million in 2020G to SAR (5.5) million in 2021G as a result of stopping production during the same period and as a result, not leasing some logistic equipment, which led to a decrease in rental expenses. With a value of SAR 2.4 million, the Company has also reduced workers' salaries by a percentage ranging between 5% and 30% during the period from April 2020G until June 2020G resulting from the Corona pandemic. It is worth mentioning that the Company has cancelled this reduction starting from July 2020G.

5) General and administrative expenses

General and administrative expenses mainly consist of employees' salaries and benefits and professional fees.

General and administrative expenses decreased by 14.1% from SAR (14.8) million in 2019G to SAR (12.7) million in 2020G mainly resulting from a decrease in salaries and benefits from SAR 10.8 million to SAR 9.2 million due to the decrease in temporary employees' salaries and benefits during the year 2020G, in the amount of SAR 0.6 million, as well as a decrease in iqama and visa expenses by SAR 0.5 million, due to the increase in the number of workers employed in 2019G in order to start some major projects (such as the Jubail and Rabigh projects).

General and administrative expenses increased by 1.2% from SAR (12.7) million in 2020G to SAR (12.9) million in 2021G, despite the Company reducing the salaries of employees by between 5% and 30% during the period from April 2020G to the month June 2020G resulting from the Corona pandemic, this increase is mainly due to the addition of salaries included in the general and administrative expenses of Welspun Pipes Coating Company as a result of the merger for the period from 21 July 2020G until 31 March 2021G.

6) Expected credit loss (ECL) provision

Prior to 2019G, the Company was recognizing a provision for doubtful receivables based on aging and expected collectability of receivables (this provision was classified under general and administrative expenses).

In 2019G, the Company changed its policy for recording provisions for doubtful receivables to the Expected Credit Loss method ("ECL") in compliance with IFRS. At 31 March 2020G, the Company had a provision of SAR (2.5) million against doubtful receivables (this includes a general provision as well as a specific provision).

7) Other operating income

Other operating income comprised of the Company's scrap sales, interests received on bank deposits and gains from the sale of assets plus losses/gains from foreign currency translation as well as any compensation from suppliers.

Other operating income increased from SAR 0.7 million in 2019G to SAR 2.6 million in 2020G mainly driven by income of SAR 2.4 million attributable to the compensation received from one supplier due to the downgraded materials supplied by Golden Source for Trading Company.

Other operating income decreased from SAR 2.6 million in 2020G to SAR (1.6) million in 2021G, primarily driven by the merger of Welspun Pipes Coating Company. The amount of SAR (1.6) million in 2021G consist of losses resulting from the translation of foreign currencies, which were reclassified under this account, as they were previously classified under the financing costs account.

8) Financing costs

The Company obtains financing through financial institutions in the Kingdom of Saudi Arabia, as well as a loan obtained from the Saudi Industrial Development Fund and other shareholder loans. Financing costs mainly related to the interest charges on various facilities obtained from local banks, bank guarantee charges, as well as interest on shareholder loans. The Company's financing costs increased at a CAGR of 6.9% from SAR (28.0) million in 2019G to SAR (32.1) million in 2021G.

Financing costs increased by 71.7% from SAR (28.0) million in 2019G to SAR (48.1) million in 2020G mainly driven by an increase in interest expenses paid on the Company's short-term borrowings amounting to SAR 14.8 million due to an increase in short-term borrowings by SAR 249.3 million in addition to an increase in letter of credit facilities charges paid by SAR 2.3 million. This was partially offset by a decrease in financing costs on the long-term borrowings during the year from SAR 5.2 million in 2019G to SAR 2.3 million in 2020G.

Financing costs decreased by (33.5)% from SAR (48.1) million in 2020G to SAR (32.0) million in 2021G, mainly driven by the decrease in financing expenses paid on the Company's short-term borrowings, which decreased by SAR 305.8 million during the year 2021G, as well as the decrease in long-term loans by SAR 70.1 million during the year 2021G.

9) Zakat expenses

Zakat expenses increased from SAR 117 thousand in 2019G to SAR (5.6) million in 2021G. Zakat was recovered in the amount of SAR 0.1 million during 2019G, which represents adjustments against advanced tax payments. Zakat expenses increased to SAR (4.6) million in 2020G, primarily due to the increase in the adjusted net income generated for the year in addition to an increase in borrowings, which was offset by a decrease in non-current assets, primarily property, plant and equipment during the year. As per the audited financial statements, zakat is payable at 2.578% of the zakat base, excluding the adjusted profit (loss) for the year attributable to the Saudi shareholder. Zakat on adjusted profit for the year is payable at 2.5%.

10) Income tax expenses

Reversals of income tax in 2019G amounted to SAR (2.9) million as a result of realizing a loss before zakat and income tax during 2019G, amounting to SAR 72.3 million. Income tax expense increased during 2020G to SAR 25.0 million as a result of achieving a profit before zakat and income tax of SAR 266.5 million.

Income tax expense increased during 2021G to SAR 21.8 million as a result of achieving a profit before zakat and income tax of SAR 175.7 million.

11) Profit (loss) for the year

Net income improved from SAR (69.3) million in 2019G to SAR 236.9 million in 2020G as the Company's revenues further increased by 136.0% or SAR 961.7 million in 2020G as compared to 2019G. Additionally, the Company achieved operational efficiency as general and administrative expenses decreased from SAR 14.8 million in 2019G to SAR 12.7 million in 2020G.

The net profit for the year decreased from SAR 236.9 million in 2020G to SAR 148.3 million in 2021G, mainly driven by a decrease in the Company's revenues by (43.2)% or SAR 733.4 million in 2021G compared to 2020G for reasons previously mentioned.

12) Revenue breakdown by product

Table (6-7): Revenue breakdown by product for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Bare HSAW pipes	680,456	1,632,757	871,458	140.0%	(46.6)%
Scrap sales and others	26,734	36,107	64,048	35.1%	77.4%
Total revenue	**707,190**	**1,668,864**	**935,506**	**136.0%**	**(43.2)%**
Quantity sold of HSAW pipes (000 metric tons)	313.4	514.1	273.3	64.0%	(46.8)%
Average revenue per metric ton sold (SAR)	2,257	3,246	3,249	43.8%	0.1%
As a percentage of revenue				**Percentage points**	
Bare HSAW pipes	96.2%	97.8%	93.2%	1.6	(4.6)
Scrap sales and others	3.8%	2.2%	6.8%	(1.6)	5.2

Source: Management information of the Company.

Table (6-8): Revenue breakdown by product and category for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Bare HSAW pipes	680,456	1,632,757	871,458	140.0%	(46.6)%
Coated HSAW pipes	-	-	46,713	-	100.0%
Scrap sales and others	16,135	26,092	16,080	62.1%	(38.4)%
Bare pipes - operating tasks for other companies	-	5,690	-	100.0%	(100.0)%
Downgraded/rejected products*	6,220	2,843	-	-	-
Double coated tubes	4,147	1,111	292	-	(73.9)%
Others	232	371	963	25.5%	160.9%
Total revenue	**707,190**	**1,668,864**	**935,506**	**136.0%**	**(43.9)%**

Source: Management information of the Company.

* Downgraded/rejected products' refer to products or materials that have been downgraded for not conforming to specifications or not passing quality tests and such products or materials are sold to customers at prices lower than regular pipe prices and higher than scrap prices.

13) HSAW pipes

The Company's main activity is the sale of coated and bare HSAW pipes. HSAW pipe sales accounted for 96.2%, 97.8% and 93.2% of total revenues during the financial years 2019G, 2020G and 2021G, respectively. The pipes are manufactured and sold to clients based on contracted orders, and the product delivery time may take up to two years.

Revenue from HSAW pipes increased by 140.0% from SAR 680.4 million in 2019G to SAR 1,632.8 million in 2020G, driven by an increase of 46.6% in sales value from 313.4 thousand Metric Tons to 514.1 thousand Metric Tons in 2020G as a result of beginning the work on two new projects for the Saline Water Conversion Corporation, namely, the Jubail - Riyadh water transmission system and the Yanbu - Madinah water transmission system. The increase in revenue resulted from the Jubail - Riyadh water transmission system project with an amount of SAR 554.5 million, the Rabigh – Jeddah - Makkah water transmission system project with an amount of SAR 65.4 million, and the Neom city pipeline project, which increased from SAR 17.7 million during 2019G, to SAR 121.7 million during 2020G, as a result of the delivery of 26.6 thousand Metric Tons of pipes during 2020G, compared to 3.9 thousand Metric Tons during 2019G, the Company also started delivering shipments for the Yanbu - Madinah water project – Phase IV, which contributed SAR 252.6 million to the total revenues of 2020G. In addition, the Company supplied Saudi Aramco for the Marjan project. The average sales price increased from SAR 2.3 thousand per Metric Ton in 2019G to SAR 3.2 thousand per Metric Ton in 2020G.

Revenues from HSAW pipes (coated and bare) decreased by 43.8% from SAR 1,632.8 million in 2020G to SAR 918.2 million in 2021G driven by a 46.8% decrease in sales quantity from 514.1 thousand Metric Tons to 273.3 thousand Metric Tons in 2021G. This was mainly due to the decrease in sales from the Saline Water Conversion Corporation by SAR 606.0 million. In addition to a decrease in sales of the Neom city pipelines project by SAR 121.7 million.

Sales to the Saline Water Conversion Corporation accounted for 82.6% of the Company's total revenue in 2019G, 85.1% of total revenue in 2020G and 91.3% of total revenue in 2021G.

14) Scrap sales and others

Other income mainly included sale of scrap and downgraded products in addition to the sales related to Welspun Pipes Coating Company resulting from the merger for the period from 21 July 2020G to 31 March 2021G. Other revenues increased by 35.1% to SAR 36.1 million in 2020G, driven by the Company starting the work on two additional contracts related to the water sector in the Kingdom during the year, as described above. Other revenues increased from SAR 36.1 million in the financial year 2020G to SAR 64.1 million in 2021G mainly due to the addition of sales of Welspun Pipes Coating Company resulting from the merger for the period from 21 July 2020G to 31 March 2021G, which amounted to SAR 47.5 million.

15) Revenue by sector

Table (6-9): Revenue by sector for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Water sector	674,165	1,551,533	858,236	130.1%	(44.7)%
Oil and gas sector	10,440	88,022	58,480	743.1%	(33.6)%
Scrap sales and others	22,585	29,309	18,790	29.8%	(35.9)%
Total revenue	**707,190**	**1,668,864**	**935,506**	**136.0%**	**(43.9)%**
As a percentage of revenue				**Percentage points**	
Currency: SAR000	**2019G**	**2020G**	**2021G**	**Variance (2019G-2020G)**	**Variance (2020G-2021G)**
Water sector	95.3%	93.0%	91.7%	(2.3)	(1.3)
Oil and gas sector	1.5%	5.3%	6.3%	3.8	1.0
Scrap sales and others	3.2%	1.8%	2.0%	(1.4)	0.2
				Variance (2019G-2020G)	**Variance (2020G-2021G)**
Quantity sold in water sector (000 metric tons)	674.2	483.1	243.7	(28.3)%	(49.6)%
Average revenue per metric ton for water sector	999.9	3,211.6	3,521.8	221.2%	9.6%
Quantity sold in oil and gas sector (000 metric tons)	2,5	23,5	17,1	840.0%	(27.2)%
Average revenue per metric ton for oil and gas sector	4,176.0	3,745.6	3,419	(10.3)%	(8.8)%

Source: The Company.

16) Water sector

Water sector revenues increased by 130.1% from SAR 674.2 million in 2019G to SAR 1,551.5 million in 2020G, mainly due to the continued delivery of orders received during 2019G. Additionally, the Company started to deliver pipe shipments to the water transmission project in Yanbu and Madinah - Phase IV. The average revenue per metric ton increased from SAR 999.9 to SAR 3,211.6 in the same period, which compensated for the decrease in the quantity of sales over the same period.

Water sector revenues decreased by 44.7% from SAR 1,551.5 million in 2020G to SAR 858.2 million in 2021G, mainly due to the delivery of most of the incoming requests of the Saline Water Conversion Corporation during the year 2020G. The average selling price per Metric Ton increased from SAR 3,211.6 to SAR 3,521.8 in the same period, but it was not enough to cover the impact of the decrease in sales quantity for the same period.

The backlog of work that has not yet been completed in the water sector amounted to SAR 402.0 million (120.8 thousand Metric Tons) as of 31 March 2020G. It is expected that the majority of the backlog will be delivered during 2022G.

17) Oil and gas sector

During 2019G, the Company signed a contract related to the Marjan refinery and a petrochemical pipelines contract with Saudi Aramco which included supplying bare pipes to layout the pipeline network to the Marjan field.

Revenues from the oil and gas sector increased by 746.2% from SAR 10.4 million in 2019G to SAR 88.0 million in 2020G, as the Company supplied exposed pipes to the Marjan field. The total quantity sold to the oil and gas sector increased from 2.5 thousand Metric Tons to 23.5 thousand Metric Tons and the average revenue per Metric Ton decreased from SAR 4,176 to SAR 3,745.6 in the same period.

Revenues from the oil and gas sector decreased by 33.5% from SAR 88.0 million in 2020G to SAR 58.5 million in 2021G as a result of the Company's business cessation during the period from April 2020G to June 2020G due to the Corona pandemic. The total quantity sold to the oil and gas sector decreased from 23.5 thousand Metric Tons to 17.1 thousand Metric Tons and the average revenue per Metric Ton decreased from SAR 3,746 to SAR 3,419 in the same period.

The accumulated backlog of pipes for the oil and gas sector amounted to SAR 290.0 million (or 71.6 thousand Metric Tons) as of 31 March 2021G and is expected to be delivered during 2022G.

18) Scrap sales and others

Scrap and other sales mainly consisted of scrap metal and downgraded pipes sold in addition to the sales related to Welspun Pipes Coating Company as a result of the merger for the period from 21 July 2020G to 31 March 2021G.

Scrap sales increased during 2020G by 29.7% to reach SAR 29.3 million.

Scrap and other sales increased from SAR 22.6 million in 2019G to SAR 29.3 million in 2020G as the scrap quantities sold increased in line with the increase in pipe volumes produced during the year.

Scrap and other sales decreased from SAR 29.3 million in 2020G to SAR 18.8 million in 2021G, in which the quantities of scrap sold decreased in line with the decrease in the volumes of pipes produced during the year.

19) Revenue - backlog of orders

Table (6-10): Backlog of the Company's HSAW pipe projects as at 31 March 2021G

Year	Sector	New Orders		Delivery in 2019G		Delivery in 2020G		Delivery in 2021G		Backlog orders as on 31 March 2021G	
		Quantity (Metric Tons)	Amount (million SAR)	Quantity (Metric Tons)	Amount (million SAR)	Quantity (Metric Tons)	Amount (million SAR)	Quantity (Metric Tons)	Amount (million SAR)	Quantity (Metric Tons)	Amount (million SAR)
2019G	Water	560,147	2,009	49,560	187	301,619	1,090	209,516	734	2	-
	Oil and Gas	29,933	110	-	1	23,438	88	10	-	6,485	21
	Others	-	23	-	23	-	-	-	-	-	-
	Subtotal	**590,080**	**2,142**	**49,560**	**211**	**325,057**	**1,178**	**209,526**	**734**	**6,485**	**21**
2020G	Water	7,580	14	-	-	7,580	14	-	-	-	-
	Oil and Gas	-	-	-	-	-	-	-	-	-	-
	Others	-	29	-	-	-	29	-	-	-	-
	Subtotal	**7,580**	**43**	**-**	**-**	**7,580**	**43**	**-**	**-**	**-**	**-**
2021G	Water	120,791	402	-	-	-	-	-	-	120,791	402
	Oil and Gas	88,643	348	-	-	-	-	17,092	58	71,551	290
	Others	-	19	-	-	-	-	-	19	-	-
	Subtotal	209,434	769	-	-	-	-	17,092	77	192,342	692
Total		**807,094**	**2,954**	**49,560**	**211**	**332,637**	**1,221**	**226,618**	**811**	**198,829**	**713**

Source: The Company.

Table (6-11): Backlog of pipe coating projects as at 31 March 2021G

Year	Sector	New Orders		Delivery in 2019G		Delivery in 2020G		Delivery in 2021G		Backlog orders as on 31 March 2021G	
		Quantity (Square Meters)	Amount (million SAR)	Quantity (Square Meters)	Amount (million SAR)	Quantity (Square Meters)	Amount (million SAR)	Quantity (Square Meters)	Amount (million SAR)	Quantity (Square Meters)	Amount (million SAR)
2019G	Water	2,390,360	139	64,274	5	1,939,094	113	386,992	22	1	-
	Oil and Gas	72,278	3	-	-	71,519	3	411	-	417	-
	Others	-	1	-	1	-	-	-	-	-	-
	Subtotal	**2,462,638**	**143**	**64,274**	**6**	**2,010,613**	**116**	**387,403**	**22**	**417**	**-**
2020G	Water	311,912	18	-	-	74,613	4	235,975	14	1,324	-
	Oil and Gas	677,661	24	-	-	-	-	351,233	13	326,428	11
	Others	-	1	-	-	-	1	-	-	-	-
	Subtotal	**989,573**	**43**	**-**	**-**	**74,613**	**5**	**587,208**	**27**	**327,752**	**11**
2021G	Water	1,344,220	59	-	-	-	-	687,095	35	657,125	24
	Oil and Gas	722,836	12	-	-	-	-	781	-	722,055	12
	Others	32,177	2	-	-	-	-	32,177	2	-	-
	Subtotal	**2,099,233**	**73**	**-**	**-**	**-**	**-**	**720,053**	**37**	**1,379,180**	**35**
Total		**5,551,444**	**259**	**64,274**	**6**	**2,085,226**	**121**	**1,694,664**	**87**	**1,707,349**	**46**

Source: The Company.

20) Revenue - backlog of orders

The total backlog of orders as at 31 March 2021G mainly consists of the following projects: Jubail Riyadh with a value of SAR 109.9 million, and Rabigh Jeddah project with a value of SAR 185.5 million, as well as a gas storage project with a value of SAR 289.9 million.

21) Revenue by major customers

Table (6-12): Revenues by major customers as at 31 March 2019G, 31 March 2020G and 31 March 2021G

Currency: SAR000		2019G	2020G	2021G
Project name	**Customer Name**			
Jubail Riyadh	Saline Water Conversion Corporation	164,418	718,882	593,731
Yanbu Madinah	Saline Water Conversion Corporation	-	252,590	140,506
Rabigh Jeddah	Saline Water Conversion Corporation	382,516	447,904	79,106
Gas Storage Sales Phase I	Aramco	-	-	58,080
Marjan Pipeline	Aramco	-	85,800	-
Amenities	Sendan International Company	-	4,825	-
Neom City Pipeline	Mutlaq Al Ghowairi for Contracting	-	3,508	-
Yanbu North Jeddah Pipeline	Arabian Pipes	5,812	-	-
Reroute – Qatif-Ras Tanura Pipeline	Aramco	-	-	-
Others	Multiple customers	10,569	1,085	-
Total bare pipes revenue		**563,405**	**1,514,594**	**871,424**
Neom City Pipeline	Mutlaq Al Ghowairi for Contracting	17,685	118,060	-
Shoibah Mina Line B WTS	Al-Rashid Trading & Contracting Company	98,700	-	-
Jubail Riyadh	Saline Water Conversion Corporation	-	-	24,206
Marjan Pipeline	Aramco	-	-	11,168
Feeding Line	King Khalid Military City	-	-	9,790
Others	Multiple customers	665	-	-
Total coated pipes revenue		**117,050**	**118,060**	**45,164**
Downstream Haradh Pipeline	Saudi Group 5 Pipe Company	-	5,670	-
Total bare pipes - operating assignments for other companies		**-**	**5,670**	**-**
Total bare pipes and operating assignments for other companies		**680,456**	**1,638,324**	**916,588**

Source: The Company.

22) Cost of revenue

Table (6-13): Cost of revenue breakdown for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Cost of materials	629,968	1,206,407	608,242	91.5%	(48.5)%
Salaries and benefits	34,198	48,007	42,772	40.4%	(10.9)%
Depreciation	25,447	33,289	38,172	30.8%	14.7%
Sub-contractors' costs	14,290	20,431	-	43.0%	(100.0)%
Packing materials	2,113	3,512	1,651	66,2%	(53.0)%
Provision for obsolete inventory	(332)	3,731	649	N/A	(82.6)%
Amortization	206	173	92	(16.0)%	(46.8)%
Others	20,068	16,961	13,731	(15.5)%	(19.0)%
Total cost of revenue	**725,958**	**1,332,512**	**705,309**	**83.6%**	**(47.1)%**
As a percentage of revenue				**Percentage points**	
Cost of materials	89.1%	72.3%	65.5%	(16.8)	(7.3)
Salaries and benefits	4.8%	2.9%	4.5%	(2.0)	1.6
Depreciation	3.6%	2.0%	4.0%	(1.6)	2.1
Sub-contractors' costs	2.0%	1.2%	0.0%	(0.8)	(1.2)
Packing materials	0.3%	0.2%	0.2%	(0.1)	-
Provision for obsolete inventory	0.0%	0.2%	0.1%	0.2	(0.1)
Amortization	0.0%	0.0%	0.0%	-	-
Other	2.8%	1.0%	1.5%	(1.8)	0.5
Total cost of revenue	**102.7%**	**79.8%**	**75.4%**	**(22.9)**	**(4.4)**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G and management of the Company.

23) Cost of materials

Cost of materials primarily related to consumption costs of hot-rolled coils and coated pipes, which are used to produce the finished product. The Company procures its hot-rolled coils both from domestic and foreign suppliers. During 20201G the Company imported 70.1% of the coils consumed compared to 29.9% of the coils consumed through local suppliers inside the Kingdom.

Average hot-rolled coil prices increased as result of a combination of higher iron prices in international markets and the procurement of higher quality hot rolled steel coils. Cost of materials further increased by 91.5% in 2020G from SAR 630.0 million in 2019G to SAR 1,206.4 million in 2020G in line with the increase in quantities sold by 64.0%.

The cost of materials decreased by (48.5)% during the financial year 2021G from SAR 1,206.4 million to SAR 608.2 million, mainly due to a decrease in the amount of sales by (46.8)%.

Cost of materials as a percentage of the total cost of revenue increased from 89.1% in 2019G to 90.5% in 2020G in line with the increase in raw materials procured year-on-year to deliver on the Company's projects.

Cost of materials as a percentage of revenue decreased from 89.1% in 2019G to 72.3% in 2020G and decreased to 65.5% in 2021G (the fluctuation is driven by the average material prices which varies depending on the contract).

24) Salaries and benefits

Salaries and benefits include salaries costs, overtime and other benefits such as housing and other allowances of the production-related workers. Salaries and benefits decreased at a CAGR of 11.8% from 2019G to 2021G. Salaries and benefits increased from SAR 34.2 million in 2019G to SAR 48.0 million in 2020G as basic salaries paid during the year increased by SAR 4.6 million as a result of retroactive salary increases. Additionally, in 2020G, bonus compensations of SAR 3.0 million were paid to the employees which were not previously disbursed during 2018G and 2019G.

With regard to the decrease in salaries and benefits from SAR 48.0 million in 2020G to SAR 42.8 million in 2021G, it is due to the reduction of workers' salaries by an amount ranging between 5% and 30% during the period from April 2020G to June 2020G resulting from the Corona pandemic. It is worth noting that the Company reversed this reduction starting from July 2020G.

25) Depreciation

Depreciation expenses related to the Company's production plant and machinery, factory in addition to other electrical installations, vehicles and office equipment. Depreciation expenses increased at a CAGR of 22.5% from 2019G to 2021G. Depreciation expenses increased from SAR 25.4 million in 2019G to SAR 33.3 million in 2020G primarily driven by the capitalization of the leased assets following the adoption of IFRS 16, which resulted in recognition of right-of-use assets of SAR 6.9 million, in addition to the completion and operation of production line four during the fourth quarter of 2019G.

Depreciation costs increased from SAR 33.3 million in 2020G to SAR 38.3 million in 2021G, mainly driven by the addition of depreciation of Welspun Pipes Coating Company resulting from the merger for the period from 21 July 2020G until 31 March 2021G.

26) Sub-contractors' costs

Sub-contractors' costs represent the costs incurred by the Company for outsourcing coating work to Welspun Pipes Coating Company. The Company receives orders from customers that include coating of pipes. Prior to the merger of Welspun Pipes Coating Company, this service was not available within the Company's capabilities and the contract was accordingly contracted with Welspun Pipes Coating Company. Sub-contractor costs declined by (100.0)% between 2019G and 2021G. The sub-contractor expenses incurred are dependent on coating orders from customers, and as such the decline in sub-contracting costs from SAR 14.3 million in 2019G to SAR 20.4 million in 2020G was due to fluctuation in demand from customers for coated pipe products. As for the decrease in the Sub-contractors' costs from SAR 20.4 million in 2020G to SAR zero in 2021G, this was due to the lack of requests for coating from the Company.

27) Packing materials

Packing material costs include the cost of wooden crates, fabric bundles, plastic and hexagonal bundles, and rubber covers.

Packing material costs increased from SAR 2.1 million in 2019G to SAR 3.5 million in 2020G, primarily driven by a 141.7% increase in revenue from HSAW pipes from SAR 679.4 million in 2019G to SAR 1,642.2 million in 2020G.

Packing material costs decreased from SAR 3.5 million in 2020G to SAR 1.7 million in 2021G, in line with the decrease in revenues, as the cost of coating materials as a percentage of total revenue remained constant at 0.2% during 2020G and 2021G.

28) Provision for obsolete inventory

The provision for obsolete inventory in 2019G was SAR (0.3) million, in response to the inventory provision that the Company over-provided for during 2018G.

The expense for the provision for obsolete inventory increased from SAR (0.3) million in 2019G to SAR 3.7 million in 2020G, relating to the stock of spare parts.

29) Others

Other costs of revenue primarily consisted of consumable spare parts, equipment rental charges, electrical charges, professional fees and other expenses related to cleaning and maintenance of the factory.

Other costs of revenue decreased from SAR 20.1 million in 2019G to SAR 17.0 million in 2020G mainly due to the decrease in rental expense by SAR 2.1 million resulting from the implementation of IFRS 16 which increased consumption expenditures and reduced rental expenses.

Other costs of revenue decreased from SAR 17.0 million in 2020G to SAR 13.7 million in 2021G, mainly due to the suspension of the Company's business during the period from April 2020G to June 2020G due to the Corona pandemic.

30) General and administrative expenses

Table (6-14): General and administrative expenses breakdown for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Salaries and benefits	10,798	9,150	7,864	(15.3)%	(14.1)%
Professional fee	1,232	776	1,792	(37.0)%	131.0%
Utilities	585	505	1,013	(13.7)%	100.6%
Depreciation	195	222	250	13.8%	12.6%
Repairs	142	295	263	107.7%	(10.9)%
Travel	154	104	111	(32.5)%	6.7%
Rent	243	270	72	10.0%	(73)%
Amortization	6	43	23	(72.1)%	(46.5)%
Other	1,432	1,340	1,469	(6.0)%	6.6%
Total general and administrative expenses	**14,789**	**12,706**	**12,857**	**(14.1)%**	**1.2%**
As a percentage of revenue				**Percentage points**	
Salaries and benefits	1.5%	0.5%	0.8%	(1.0)	0.3
Professional fee	0.2%	0.0%	0.2%	(0.1)	0.2
Utilities	0.1%	0.0%	0.1%	(0.1)	0.1
Depreciation	0.0%	0.0%	0.0%	-	-
Repair	0.0%	0.0%	0.0%	-	-
Travel	0.0%	0.0%	0.0%	-	-
Rent	0.0%	0.0%	0.0%	-	-
Amortization	0.0%	0.0%	0.0%	-	-
Other	0.2%	0.1%	0.2%	(0.1)	0.1
Total general and administrative expenses	**2.1%**	**0.8%**	**1.4%**	**(1.3)**	**0.6**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company and management information.

31) Salaries and benefits

Salaries and benefits related to the administrative personnel salaries and related expenses, which decreased at a CAGR of (14.7)% between 2019G and 2021G.

Salaries and benefits costs declined by 15.3% from SAR 10.8 million in 2019G to SAR 9.2 million in 2020G due to impact of the employee turnover mix during the year.

Salaries and benefits costs decreased by 14.1% from SAR 9.2 million in 2020G to SAR 7.9 million in 2021G as a result of reducing workers' salaries by between 5% and 30% during the period from April 2020G to June 2020G resulting from the Corona pandemic, it is worth noting that the Company cancelled this salary decrease starting from July 2020G.

32) Professional fee

Professional fees primarily related to the fees for VAT consulting services and VAT filing related charges. Professional fees increased at a CAGR of 20.6% from 2019G to 2021G. Professional fees decreased from SAR 1.2 million in 2019G to SAR 0.8 million in 2020G as there was no payments to consultants for legal disputes in addition to the completion of the conversion of the Company's financial statements to IFRS.

Professional fees increased from SAR 0.8 million in 2020G to SAR 1.8 million in 2021G due to the professional services provided to the Company, especially with regard to expenses related to the public offering, as well as the completion of the conversion of the Company's financial statements to IFRS.

33) Utilities

Utilities expenses consist of electricity consumption costs, telecommunication expenses, and petrol and diesel expenses incurred by the Company's administration. Utilities expenses increased at a CAGR of 31.6%. Utilities expenses decreased from SAR 0.6 million in 2019G to SAR 0.5 million in 2020G as a result of lower telephone and petroleum and diesel costs which was offset by an increase in electricity consumption costs.

Utilities expenses increased from SAR 0.5 million in 2020G to SAR 1.0 million in 2021G mainly driven by including the utility expenses of Welspun Pipes Coating Company due to the merger for the period from 21 July 2020G to 31 March 2021G.

34) Other

Other expenses relate to travel expenses, cleaning fees, license fees, audit fees, and legal and insurance expenses during 2020G.

Other expenses decreased slightly from SAR 1.4 million in 2019G to SAR 1.3 million in 2020G. Other expenses, as a percentage of total revenues, decreased from 0.2% in 2019G to 0.1% in 2020G due to the increase in revenues during 2020G.

Other expenses increased from SAR 1.3 million in 2020G to SAR 1.5 million in 2021G. Other expenses, as a percentage of total revenues, increased from 0.1% in 2020G to 0.2% in 2021G due to the decrease in revenues during 2021G.

35) Selling and marketing expenses

Table (6-15): Selling and marketing expenses breakdown for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G-2021G)
Rent	5,940	5,000	3,802	(15.8)%	(24.0)%
Salaries and benefits	4,350	1,646	1,259	(62.2)%	(23.5)%
Depreciation	307	83	97	(73.0)%	16.9%
Other	920	929	389	1.0%	(58.1)%
Total selling and distribution expenses	**11,516**	**7,657**	**5,547**	**(33.5)%**	**(27.6)%**
As a percentage of revenue				**Percentage points**	
Rent	0.8%	0.3%	0.4%	(0.5)	0.1
Salaries and benefits	0.6%	0.1%	0.1%	(0.5)	0.0
Depreciation	0.0%	0.0%	0.0%	0.0	0.0
Other	0.1%	0.1%	0.0%	0.0	0.0
Total selling and distribution expenses	**1.6%**	**0.5%**	**0.6%**	**(1.2)**	**0.1**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company and management information.

36) Rent

Rent expenses mainly relate to rental charges for cranes, trucks, which are rented to transport the manufactured pipes from the factory to the storage yard. Rent expenses decreased at a CAGR of 20.0% between 2019G and 2021G. Rent expense declined by 15.8% from SAR 5.9 million in 2019G to SAR 5.0 million in 2020G mainly due to the logistics requirements for transporting finished goods to the storage yard.

Rent expenses decreased by 24.0% from SAR 5.0 million in 2020G to SAR 3.8 million in 2021G. This was mainly due to the halting of production during the period from April 2020G to June 2020G resulting from the Corona pandemic which resulted in some logistics equipment not being rented.

37) Salaries and benefits

Salaries and benefits decreased at a CAGR of (46.2)% between 2019G and 2021G. Salaries and benefits costs declined by (62.2)% from SAR 4.4 million in 2019G to SAR 1.6 million in 2020G mainly due to the discontinuity of the labour contracts which related to temporary labour for logistics support amounting to SAR 1.4 million.

Salaries and benefits costs decreased by (23.5)% from SAR 1.6 million in 2020G to SAR 1.3 million in 2021G as a result of reducing workers' salaries by between 5% and 30% during the period from April 2020G to June 2020G resulting from the Corona pandemic, it is worth noting that the Company reversed this reduction starting from July 2020G, in addition, there was a decrease in the number of work contracts related to temporary employment resulting from the pandemic.

38) Other

Other expenses include repair and maintenance fees, bidding fees, professional fees, travel related expenses and utility charges incurred in connection with sales and marketing operations. There was a relative stability of other expenses at SAR 0.9 million in 2019G and 2020G. Subsequently, other expenses decreased to SAR 0.5 million during 2021G as a result of the completion of the implementation of the development of the operating yard at a cost of SAR 0.4 million during the year 2020G.

39) Depreciation

Depreciation expenses relate to the assets of the sales and marketing department during the financial years ended on 31 March 2019G, 2020G and 2021G. The depreciation expense for selling and marketing constituted less than 0.1% of the revenue.

40) Provision for Expected Credit Losses ("ECL")

Table (6-16): Breakdown for expected credit losses on 31 March 2019G, 2020G and 2021G:

Currency: SAR000	2019G	2020G	2021G
As at 1 April	-	-	3,927
Transfers	-	-	243
Provision for expected credit losses	-	3,927	2,498
As at 31 March	**-**	**3,927**	**6,669**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company and management information.

Currency: SAR000	2019G	2020G	2021G
General provision for expected credit losses	-	2,927	5,669
Specific provision for expected credit losses	-	1,000	1,000
Provision for expected credit losses	**-**	**3,927**	**6,669**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company and management information.

The Company applies a simplified approach to measuring expected credit losses, which uses a provision for expected losses over the life of the trade receivables and other financial assets. In order to measure the expected credit loss provision, trade receivables have been calculated based on common credit risk characteristics and days of default.

The Company did not make any provisions as of 31 March 2019G due to the fact that none of the balances exceeded the periods in which they are due.

Expected loss rates are based on a schedule of payments for sales over the 48-month period prior to 31 March 2021G and 31 March 2020G, respectively, and to the corresponding prior credit losses that occurred during the year. Historical loss rates are adjusted to reflect current and future information on macroeconomic factors that may affect customers' ability to settle receivables. The Company has determined the Gross Domestic Product and inflation rate of the country in which it sells its products to be the most appropriate factors, and accordingly they adjust the previous loss rates based on the expected changes in these factors.

Please refer to the accounts receivable section for more details.

41) Other operating income / (expense)

Table (6-17): Breakdown of other operating income / (expense) – net on 31 March 2019G, 2020G and 2021G:

Currency: SAR000	2019G	2020G	2021G
Foreign exchange (loss) / gain	739	2,508	(1,627)
Others	-	91	11
Total other operating income / (expense)	**739**	**2,599**	**(1,616)**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company and management information.

Other operating income comprised of sales of the Company's scrap, returns on bank deposits, gains on sale of assets in addition to losses/gains on foreign exchange and any compensation from suppliers.

Other operating income increased from SAR 0.7 million in 2019G to SAR 2.6 million in 2020G primarily driven by the revenue of SAR 2.4 million attributable to compensation received from a single supplier due to downgraded items provided by Golden Source Trading Company.

Other operating income decreased from SAR 2.6 million in 2020G to SAR (1.6) million in 2021G, mainly driven by the merger of Welspun Pipes Coating Company. The amount of SAR (1.6) million in 2021G represents losses resulting from foreign currency translation, which has been reclassified under this account. It was previously classified under the financing costs account.

42) Financing costs

Table (6-18): Breakdown of financing costs on 31 March 2019G, 2020G and 2021G:

Currency: SAR000	2019G	2020G	2021G
Financing costs on short-term borrowings	7,970	25,822	15,599
Letter of credit facility expenses	8,222	10,352	9,037
Financing costs on loans from shareholders	5,559	5,574	5,238
Financing costs on lease liabilities	-	1,482	1,211
Accumulation of employee benefit obligations	322	382	496
Financing costs on long-term borrowings	5,189	2,331	432
Reversal of Saudi Industrial Development Fund commitment fees (the "Fund")	756	441	-
Others	-	1,727	-
Total other operating income / (expense)	**28,018**	**48,110**	**320,011**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company and management information.

The Company obtains financing through financial institutions in the Kingdom, in addition to a loan obtained from the Saudi Industrial Development Fund and other loans from shareholders. Financing costs mainly relate to interest on various facilities obtained from local banks, bank guarantee fees and interest on shareholder loans. The Company's financing costs increased at a CAGR of 6.9% from SAR (28.0) million in 2019G to SAR (32.1) million in 2021G.

Financing costs increased by 71.7% from SAR (28.0) million in 2019G to SAR (48.1) million in 2020G mainly driven by the increase in financing expenses paid on the Company's short-term borrowings by SAR 14.8 million as a result of the increase in short-term borrowings which amounted to SAR 249.3 million in addition to an increase in paid letter of credit facility fees of SAR 2.3 million. This was partially offset by a decrease in financing costs on long-term borrowings during the year from SAR 5.2 million in 2019G to SAR 2.3 million in 2020G.

Financing costs decreased by (33.5%) from SAR (48.1) million in 2020G to SAR (32.0) million in 2021G, the decrease was mainly driven by the decrease in financing expenses paid on the Company's short-term borrowings, which decreased by SAR 305.8 million during 2021G, as well as the decrease in long-term borrowings by SAR 70.1 million during 2021G.

43) Zakat and income tax

Table (6-19): Breakdown of income tax expenses on 31 March 2019G, 2020G and 2021G:

Currency: SAR000	2019G	2020G	2021G
Current tax	-	21,364	14,541
Deferred tax charge	(2,936)	3,674	7,265
Total income tax expense	**(2,936)**	**25,039**	**21,806**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company and management information.

Table (6-20): Breakdown of zakat and income tax payable on 31 March 2019G, 2020G and 2021G:

Currency: SAR000	Zakat	Income tax	Total
As at 1 April 2020G	4,627	17,986	22,614
Transfers	237	253	490
Provision for the year	5,596	14,541	20,137
Payments	(4,642)	(20,868)	(25,511)
Advance tax paid during the year	-	(16,029)	(16,029)
As at 31 March 2021G	5,817	(4,116)	1,701
As at 1 April 2019G	50	(3,219)	(3,168)
Provisions for the year	4,577	21,365	25,942
Advance tax paid during the year	-	(160)	(160)
As at 31 March 2020G	4,627	17,986	22,614
As at 1 April 2018G	1,195	(4,246)	(3,051)
Provisions for the year	50	-	50
Prior period adjustments	(167)	-	(167)
Adjustments to advance tax paid	(1,028)	1,028	-
As at 31 March 2019G	**50**	**(3,219)**	**(3,168)**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company and management information.

44) Zakat expenses

Zakat expenses increased from SAR 0.1 million in 2019G to SAR (5.6) million in 2021G. Zakat was recovered in the amount of SAR 0.1 million during 2019G, which represents adjustments against tax paid in advance. Zakat expenses increased to SAR (4.6) million in 2020G, primarily due to the increase in the adjusted net income generated for the year in addition to an increase in borrowings, this was offset by a decrease in non-current assets, especially property, plant and equipment during the year. Based on the audited financial statements, zakat is payable at 2.578% of the zakat base, excluding the adjusted profit / (loss) for the year attributable to the Saudi shareholder. Zakat on adjusted profit for the year is payable at 2.5%.

45) Income tax expenses

Reversals of income tax during 2019G amounted to SAR (2.9) million as a result of incurring a loss before zakat and income tax during 2019G amounting to SAR 72.3 million. Income tax expense increased during 2020G to SAR 25.0 million due to achieving a profit before zakat and income tax in the amount of SAR 266.5 million.

Income tax expense increased during 2021G to SAR 21.8 million due to achieving a profit before zakat and income tax of SAR 175.7 million.

46) Profit / (loss) for the year

Table (6-21): Net profit / (loss) for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G-2021G)	CAGR
Operating (loss) profit	(44,334)	314,660	207,679	(809.7)%	(34.0)%	N/A
Finance costs	(28,018)	(48,110)	(32,011)	71.7%	(33.5)%	6.9%
Profit (loss) before zakat and income tax	**(72,352)**	**266,550**	**175,668**	**(468.4)%**	**(34.1)%**	**N/A**
Zakat expense	117	(4,577)	(5,596)	(4,012.0)%	22.3%	N/A
Income tax expense	2,936	(25,039)	(21,806)	(952.8)%	(12.9)%	N/A
Profit / (loss) for the year	**(69,300)**	**236,934**	**148,266**	**(441.9)%**	**(37.4)%**	**N/A**
Remeasurements of employee benefit obligations	(1,362)	(1,273)	(509)	(6.5)%	(60.0)%	(38.8)%
Total comprehensive profit / (loss) for the year	**(70,662)**	**235,660**	**147,757**	**(433.5)%**	**(37.3)%**	**N/A**
As a percentage of revenue				**Percentage points**		
Profit / (loss) for the year	**(9.8)%**	**14.2%**	**15.8%**	**24.0**	**1.6**	**-**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company.

Net income has improved from a SAR (69.3) million loss in 2019G to a SAR 236.9 million profit in 2020G, as the Company's revenues increased by 136.0% 2020G compared to 2019G. In addition, the Company achieved operational efficiency, as selling and general and administrative expenses decreased from SAR 26.3 million in 2019G to SAR 20.4 million in 2020G, which enabled the Company to achieve an operating profit margin of 18.9% during the year 2020G compared to a loss margin of (6.3)% in 2019G. The increase in the revenues achieved during the years 2019G and 2020G was mainly attributed to the Company being awarded new projects by the Saline Water Conversion Corporation.

The profit for the year decreased by 37.4% in 2021G from SAR 236.9 million in 2020G to SAR 148.3 million in 2021G driven by a decrease in the realized revenues by 43.9% during 2021G compared to 2020G for the aforementioned reasons with an improvement in the gross profit margin from 20.2% with a value of SAR 336.3 million in 2020G to 24.6% with a value of SAR 230.2 million in 2021G. In addition, selling, marketing and general and administrative expenses decreased by a combined amount of SAR 2.0 million, which decreased as a percentage of combined revenues by 2.1%.

47) Other comprehensive income

Table (6-22): Breakdown of other comprehensive income on 31 March 2019G, 2020G and 2021G:

Currency: SAR000	2019G	2020G	2021G
As at 1 April	6,532	9,218	12,033
Transfers	-	-	3,476
Current service cost	1,169	1,631	1,460
Interest expense	323	382	496
Payments	(168)	(471)	(1,344)
Re-measurements	1,362	1,273	509
As at 31 March	**9,218**	**12,033**	**16,630**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company and management information.

Table (6-23): Amounts recognized in the statement of profit or loss and other comprehensive income on 31 March 2019G, 2020G and 2021G:

Currency: SAR000	2019G	2020G	2021G
Current service cost	1,169	1,631	1,460
Interest expense	322	382	496
Total amount recognized in profit or loss	1,492	2,013	1,956
Re-measurement			
(Profit) / loss from changes in financial assumptions	878	1,124	(214)
Losses	484	150	724
Total amount recognized in other comprehensive income	**1,362**	**1,273**	**510**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company and management information.

B. Statement of financial position of the Company

Table (6-24): Statement of financial position for the Company for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
Property, plant and equipment	253,537	229,733	277,381
Right-of-use assets	-	31,285	26,829
Intangible assets	332	126	18
Deferred tax asset	2,936	-	-
Total non-current assets	**256,805**	**261,144**	**304,227**
Inventories	196,181	175,784	114,495
Trade and other receivables	356,138	642,499	357,811
Zakat and income tax refundable	3,168	-	-
Cash and cash equivalents	16,237	69,124	42,316
Total current assets	**571,724**	**887,407**	**514,622**

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
Total assets	**828,529**	**1,148,550**	**818,849**
Share capital	76,047	76,047	210,000
Statutory reserve	-	20,179	35,005
Retained earnings (accumulated losses)	(35,145)	180,337	272,612
Total equity	**40,902**	**276,562**	**517,617**
Long-term borrowings	37,500	-	-
Long-term loans from shareholders	105,882	105,882	-
Lease liabilities	-	25,108	21,706
Deferred tax liability	-	739	8,003
Employee benefit obligations	9,218	12,033	16,630
Advance from a customer	38,372	-	-
Total non-current liabilities	**190,972**	**143,762**	**46,340**
Trade and other payables	337,929	191,829	109,569
Current portion of long-term borrowings	71,603	70,739	-
Current portion of lease liabilities	-	6,617	5,932
Short-term borrowings	187,124	436,428	130,409
Zakat and income tax payable	-	22,614	5,817
Short-term loans from shareholders	-	-	3,164
Total current liabilities	**596,655**	**728,226**	**254,892**
Total liabilities	**787,627**	**871,988**	**301,232**
Total liabilities and equity	**828,529**	**1,148,550**	**818,849**
Key Performance Indicators			
Return on asset	(8.4)%	20.6%	18.1%
Return on equity	(169.4)%	85.7%	28.6%
Total assets to total liabilities	**105.2%**	**131.7%**	**271.8%**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company, and management information of the Company.

I) Non-current assets

Table (6-25): Non-current assets breakdown for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
Property, plant and equipment	253,537	229,733	277,381
Right-of-use assets	-	31,285	26,829
Intangible assets	332	126	18
Deferred tax asset	2,936	-	-
Total non-current assets	**256,805**	**261,144**	**304,227**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company.

2) Property, plant and equipment

Table (6-26): Property, plant and equipment balance for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
Buildings and leasehold improvements	46,328	46,328	73,203
Plant and machinery	424,030	424,166	554,947
Furniture, fixtures and equipment	2,977	3,205	3,875
Vehicles	1,504	1,349	1,348
Capital work-in-progress	565	3,029	-
Total cost of property, plant and equipment	**475,404**	**478,078**	**633,374**
Buildings and leasehold improvements	(19,365)	(21,933)	(36,542)
Plant and machinery	(198,411)	(222,316)	(314,579)
Furniture, fixtures and equipment	(2,728)	(2,884)	(3,595)
Vehicles	(1,363)	(1,211)	(1,277)
Accumulated depreciation of property, plant and equipment as at 31 March	**(221,868)**	**(248,344)**	**(355,993)**
Net book value of property, plant and equipment	**253,537**	**229,733**	**277,381**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company.

Depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated useful lives of the following assets:

3) Useful lives of property, plant and equipment

Table (6-27): Estimated useful lives of property, plant and equipment for the financial years ended 31 March 2019G, 2020G and 2021G:

	Number of years
Buildings and leasehold improvements	10 – 20
Plant and machinery	2 – 20
Furniture, fixtures and equipment	2 – 5
Vehicles	3 – 5

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company.

4) Property, plant and equipment and net additions / (disposals)

Table (6-28): Breakdown of property, plant and equipment as at 31 March 2019G, 2020G and 2021G:

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
Buildings and leasehold improvements	46,328	46,328	73,203
Plant and machinery	424,030	424,166	554,947
Furniture, fixtures and equipment	2,977	3,205	3,875
Vehicles	1,504	1,349	1,348
Capital work-in-progress	565	3,029	-
Gross book value of property, plant and equipment	**475,405**	**478,078**	**633,374**
Currency: SAR000	**31 March 2019G**	**31 March 2020G**	**31 March 2021G**
Net additions / (disposals)			
Buildings and leasehold improvements	1,292	-	26,876
Plant and machinery	21,654	136	130,781
Furniture, fixtures and equipment	43	229	669
Vehicles	(232)	(157)	-
Capital work-in-progress	348	2,464	(3,209)
Net cost of additions / (disposals)	**23,105**	**2,671**	**155,296**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company.

5) Property, plant and equipment

Property, plant and equipment comprise of the plant, equipment, buildings, furniture, fixtures, motor vehicles and other capital work-in-progress. Maintenance of property, plant and equipment are considered operating expenses and are recognized in the Company's income statement.

The net book value of property, plant and equipment decreased on an annual basis due to limited spending during 2019G and 2020G, subsequently, the net book value of property, plant and equipment increased during 2021G as a result of transferring the assets of Welspun Pipes Coating Company as shown below.

Assets included in property, plant and equipment primarily consist of the plant and equipment.

The machines and equipment are in good working order due to the regular maintenance and scheduled maintenance that is being done.

The following is an analysis of each of the assets under this account:

6) Buildings and leasehold improvements:

Buildings and leasehold improvements mainly comprise of the factories, management, qualitycontrol buildings and other building structures in addition to constructs of machinery foundations for each of the spiral and double joined factories such as the chamfering machines, and other developments and improvements made to the factories and buildings.

The additions in of SAR 1.3 million in 2019G represented construction work on the spiral plant facility.

During 2020G, the Company did not make any additions to buildings or improvements to leased properties.

The additions amounting to SAR 26.9 million in 2021G mainly consisted of the additions of buildings and improvements to the leased properties of Welspun Pipes Coating Company resulting from the merger on 21 July 2020G, at a value of SAR 24.3 million.

7) Plant and machinery:

The cost of plant and machinery amounted to SAR 424.1 million as at 31 March 2020G, comprising mainly of: special purpose machinery of SAR 76.0 million, tube mill of SAR 58.4 million, end bevelling machinery of SAR 20.6 million, hydro and pressure testing machinery of SAR 18.3 million each, welding machinery of SAR 16.9 million, in addition to various tools, equipment and electrical installations used in the production processes of the spiral plant and DJ mill. The Company's plant and machinery are in good working condition due to regular maintenance and upkeep.

Additions to plant and machinery of SAR 21.6 million in 2019G consisted of SAR 3.2 million related to infrastructural builds and construction works within the spiral mill and transfers from a capital-work-in-progress balance amounting to SAR 18.5 million, which is related to a welding machine, material handling system, coil UT machinery, as well as other tools and equipment for the spiral plant.

The value of the net additions to the plant and machinery amounted to SAR 136 thousand in 2020G.

The cost of the plant and machinery amounted to SAR 554.9 million as at the financial year ended 31 March 2021G, and the increase as at 31 March 2021G is mainly due to adding the cost of the plant and machinery of Welspun Pipes Coating Company as a result of the merger on 21 July 2020G which had a book value of SAR 128.2 million.

8) Furniture, fixtures and office equipment:

Furniture, fixtures and office equipment primarily comprised computer networks, security, wireless peer-to-peer software and premises-wide internet setup, in addition to cameras, computer equipment and peripherals, air condition equipment as well as the furniture and fixtures in place within the buildings and production facilities.

The Company's net additions to furniture, fixtures and office equipment amounting to SAR 0.1 million as at 31 March 2019G mainly related to database software, computers and peripheral hardware.

The Company's net additions of SAR 0.2 million as at 31 March 2020G mainly related to a diesel generator, light tower, other server related equipment and computers and related peripherals.

The Company's net additions of SAR 669 thousand as at the financial year ended 31 March 2021G are mainly related to the addition of the cost of furniture, fixtures and office equipment for Welspun Pipes Coating Company as a result of the merger on 21 July 2020G, at a value of SAR 0.6 million.

9) Vehicles

Vehicles comprise of the Company's cars in addition to buses and vans owned by the Company. The gross vehicles balance decreased from SAR 1.5 million as at 31 March 2019G, SAR 1.3 million as at 31 March 2020G and SAR 1.3 million as at 31 March 2021G mainly due to the disposal of one Company vehicle of SAR 247.0 thousand during 2020G.

10) Capital work-in-progress

Capital work-in-progress as at 31 March 2019G mainly related to acquisitions of spiral mill machine, additional equipment within the spiral mill, as well as building and infrastructure constructions. Additionally, other additions to capital work in progress included digital x-ray and other installations within the premises. All the machinery and construction-work within the capital-work-in-progress balance have been capitalised as at the year ended 31 March 2019G.

The capital work-in-progress as at 31 March 2020G mainly related to the construction workinprogress in the piping factory which is associated with additional equipment purchased with a value of SAR 2.5 million which relates to the construction of the foundations of the pipe plant machinery and related equipment installation costs.

Capital work-in-progress as at 31 March 2021G mainly related to capitalization of assets amounting to SAR 2.3 million in the form of buildings and improvements to a leasehold property.

II) Right-of-use assets (net of depreciation)

Table (6-29): Right-of-use assets for the financial year ended 31 March 2021G:

Currency: SAR000	31 March 2020G	31 March 2021G
Land	29,475	25,911
Building	1,810	918
Net book value	**31,285**	**26,829**

Source: Audited financial statements for the financial year ended 31 March 2021G of the Company.

Table (6-30): Right-of-use assets for the financial year ended 31 March 2021G:

Currency: SAR000	Land	Building	Total
Cost			
Amendment to IFRS 16: Initial recognition of right-of-use assets upon application of IFRS 16 on 1 April 2019G	35,252	2,942	38,584
Termination of contracts during the year	-	(528)	(528)
As at 31 March 2020G	35,252	2,414	38,056
Accumulated depreciation			
As at 1 April 2019G	-	-	-
Currency: SAR000	**Land**	**Building**	**Total**
Termination of contracts during the year	-	99	99
Depreciation	(6,167)	(702)	(6,870)
As at 31 March 2020G	(6,167)	(603)	(6,771)
Net book value			
As at 31 March 2020G	**29,476**	**1,810**	**31,258**
Cost			
As at 1 April 2020G	35,642	2,414	38,056
Transfer	2,777	-	2,777
As at 31 March 2021G	38,419	2,414	40,833
Accumulated depreciation			
As at 1 April 2020G	(6,167)	(603)	(6,770)
Transfer	(309)	-	(309)
Depreciation	(6,032)	(893)	(6,925)
As at 31 March 2020G	(12,508)	(1,496)	(14,004)
Net book value			
As at 31 March 2021G	**25,911**	**918**	**26,829**

Source: Audited financial statements for the financial year ended 31 March 2021G of the Company.

The Company has leases in respect of various parcels of land and building, located in Dammam's 2nd Industrial City. Lease contracts have fixed periods of 3 to 16 years and includes an extension option in which the Company's management is reasonably certain to exercise. The Company recognized long term leases as right-of-use assets and corresponding liabilities after adopting IFRS 16 from 1 April 2019G.

The right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets are not used as collateral for borrowing purposes.

As of 31 March 2020G, the Company does not have any short-term or low-value leases.

As of 31 March 2021G, the Company does not have any material short-term or lowvalue leases.

12) Intangible assets

Table (6-31): Intangible assets for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
Cost at 31 March	2,115	2,125	2,131
Accumulated amortization at 31 March	(1,784)	(1,999)	(2,114)
Net book value at 31 March	**332**	**126**	**18**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company.

The Company's intangible assets primarily comprise software used to run the administrative and operational functions of the business.

The Intangible assets are amortized on a straight-line basis over their estimated useful life which is three years.

The Company does not expect to replace any of the existing software.

The net book value of intangible assets decreased from SAR 332 thousand as at 31 March 2019G to SAR 126 thousand as at 31 March 2020G, mainly as a result of amortization during 2020G.

The net book value of intangible assets decreased from SAR 126 thousand as at 31 March 2020G to SAR 18 thousand as at 31 March 2021G, mainly as a result of amortization during 2021G.

13) Deferred tax asset / (liability)

Table (6-32): Movement in deferred tax asset / (liability) for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	Carry forward losses	Employee benefit obligations	Provision for inventory obsolescence	Property, plant and equipment	Other	Total
As at 1 April 2019G	**(18,468)**	**(922)**	**(207)**	**16,661**	**-**	**(2,936)**
(Credited) / charged to statements of profit or loss and other comprehensive income	6,835	(282)	(373)	(2,743)	238	3,674
As at 31 March 2020G	**(11,634)**	**(1,204)**	**(580)**	**13,918**	**238**	**739**
As at 1 April 2020G	**(11,634)**	**(1,204)**	**(580)**	**13,918**	**238**	**739**
(Credited) / charged to statements of profit or loss and other comprehensive income	(4,753)	(460)	(182)	4,137	(984)	7,265
As at 31 March 2021G	**(6,880)**	**(1,663)**	**(762)**	**18,055**	**(746)**	**8,003**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company.

The income tax calculation is based on the applicable income tax rate which is adjusted by changes in the deferred tax assets and liabilities attributable to temporary differences arising between the tax bases of assets and liabilities and their respective carrying amounts.

The Company, as at 31 March 2019G, recognized SAR 2.9 million in deferred tax asset. As at 31 March 2020G, the Company recognized and additional SAR (0.8) million in deferred tax liability.

During the year ended 31 March 2021G, the Company recognized deferred tax liabilities of SAR (8) million.

14) Current assets

Table (6-33): Current assets breakdown for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
Inventories	196,181	175,784	114,495
Trade and other receivables	356,138	642,499	357,811
Zakat and income tax refundable	3,168	-	-
Cash and cash equivalents	16,237	69,124	42,316
Total current assets	**571,724**	**887,407**	**514,622**
Key Performance Indicators			
Average days sales outstanding in days	150	139	178
Average days inventory outstanding in days	99	48	51
Average payable days in days	135	30	37

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company and management information.

15) Inventories

Table (6-34): Inventories breakdown for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
Raw materials	76,546	81,127	32,160
Work-in-progress	4,512	3,730	1,059
Finished products	105,366	54,391	55,732
Spare parts and supplies, not held for sale	11,824	15,151	33,164
Goods-in-transit	-	27,183	-
Less: provision for inventory obsolescence	(2,068)	(5,799)	(7,619)
Net inventories	**196,181**	**175,784**	**114,495**
Key Performance Indicator			
Days inventory outstanding	99	48	58

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company.

Inventories balance comprised of the following:

- Raw materials which consisted of hot rolled coils, flux and wires;
- Work-in-progress related to the Company's pipes under production;
- Finished products which mainly consisted of spiral bare pipes as well as other pipes manufactured to customer specifications;

- Spare parts and supplies related to the machinery spares and other consumables;
- Goods-in-transit related to raw materials in transit at the year-end; and
- Provisions for inventory obsolescence on spare parts.

Net inventory balance declined from SAR 196.2 million as at 31 March 2019G to SAR 175.8 million as at 31 March 2020G, resulting from the Company making deliveries as per the contracted schedules of finished products during the same period.

The net inventory decreased from SAR 175.8 million at the year ended 31 March 2020G to SAR 114.5 million at the year ended 31 March 2021G, as a result of a decrease in the stock of raw materials from imported hot-rolled steel coils by a value of SAR 26.3 million. Additionally, a decrease in the stock of raw materials of hot-rolled steel coils purchased locally, which had a value of SAR 24.9 million.

The average days inventory outstanding varied between (48) and (99) days due to different stock levels associated with contractual production and delivery schedules.

16) Provision for inventory obsolescence

Table (6-35): Provision for inventory obsolescence for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
As at 1 April	2,399	2,068	5,799
Transfers	-	-	1,171
Additions (reversal)	(332)	3,731	649
As at 31 March	**2,068**	**5,799**	**7,619**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company and management information.

The Company maintains a provision for inventory obsolescence at 100% of the cost of obsolete spare parts and a provision of 50% on the cost of spare parts that are more than 360 days old.

As at the year ended 31 March 2019G, the Company reversed a provision that had been overprovided during the year ended 31 March 2018G, which amounted to SAR 0.3 million.

The Company created an additional provision of SAR 3.7 million to cover the cost of spare parts with a lifespan of more than 360 days as at 31 March 2020G.

As at the year ended 31 March 2021G, the provision increased from SAR 5.8 million to SAR 7.6 million, mainly resulting from the transfer of the provision balances of Welspun Pipes Coating Company upon the merger which amounted to SAR 1.2 million.

17) Trade and other receivables

Table (6-36): Trade and other receivables breakdown for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
Trade receivable	263,811	548,759	323,927
Less: ECL provision	-	(3,928)	(6,669)
Net trade receivables	**263,811**	**544,831**	**317,257**
Advanced payments to suppliers	1,886	4,953	18,935
Related parties	27,492	89,829	6,195
Contracts in-progress	-	-	4,382
Advance income tax payments	-	-	4,116

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
Prepaid expenses	58,069	2,409	2,746
VAT receivables	-	-	403
Other	4,879	477	3,774
Total trade and other receivables	**356,138**	**642,499**	**357,811**
Key Performance Indicators			
Days sales outstanding (including related parties)	150	139	200
Days sales outstanding (excluding related parties)	137	119	137

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company.

18) Trade receivables ageing

Table (6-37): Trade receivables ageing for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
Up to 90 days	263,482	347,406	129,803
91 to 180 days past due	-	111,887	188,198
181 to 365 days past due	328	89,141	5,796
More than 365 days	-	326	129
Total trade receivables	**263,811**	**548,759**	**323,927**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company.

Table (6-38): Trade receivables ageing for the financial year ended 31 March 2021G:

Currency: SAR000	0-30 days	31-90 days	91-180 days	181-365 days	More than 365 days	31 March 2021G
Saline Water Conversion Corporation	-	58,089	187,208	(2,385)	(4,918)	237,994
Saudi Aramco	53,573	17,226	990	5,175	-	76,965
Al-Rashid Trading & Contracting Company	-	-	-	1,258	4,811	6,069
Mutlaq Al Ghowairi for Contracting	-	-	-	1,747	110	1,857
Others	915	-	-	2	126	1,043
Total trade receivables	**54,488**	**75,315**	**188,198**	**5,797**	**129**	**323,927**

Source: Management information.

19) Movement in ECL provision

Table (6-39): Movement in ECL provision throughout years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
1 April	-	-	-
Provision for expected credit losses	-	3,928	6,669
Receivables written-off	-	-	-
31 March	**-**	**3,928**	**6,669**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company.

Table (6-40): Movement in the general provision for expected credit losses for the year and the specific provision for expected credit losses for the years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
General expected credit loss provision	-	2,928	5,669
Specific expected credit loss provision	-	1,000	1,000
Total provision for expected credit losses	**-**	**3,928**	**6,669**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company.

Table (6-41): Movement in the expected credit loss over the years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	Current to 90 days	Overdue from 91-180 days	Overdue from 181-365 days	More than 730 days	Total
31 March 2021G					
Expected loss rate	0.01%-0.18%	0.02%-1.35%	7.66%	100%	-
Gross book value - trade receivables	129,803	188,198	5,796	129	323,927
Expected credit loss provision	**193**	**4,903**	**444**	**129**	**5,669**
31 March 2020G					
Expected loss rate	0.01%-0.16%	0.02%-0.25%	0.12%-0.063%	100%	-
Gross book value - trade receivables	347,406	11,887	89,141	326	538,759
Currency: SAR000	**Current to 90 days**	**Overdue from 91-180 days**	**Overdue from 181-365 days**	**More than 730 days**	**Total**
Expected credit loss provision	**712**	**703**	**1,187**	**326**	**2,928**
31 March 2019G					
Expected loss rate	0.14%	-	1.88%	100%	-
Gross book value - trade receivables	263,482	-	328	-	263,811
Expected credit loss provision	**-**	**-**	**-**	**-**	**-**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company.

20) Trade receivable

Trade receivables increased by 108.0% from SAR 263.8 million as at 31 March 2019G to SAR 548.8 million as at 31 March 2020G driven by an increase in receivables balance from Saline Water Conversion Corporation from SAR 288.8 million as at 31 March 2019G to SAR 531.5 million as at 31 March 2020G which comprised of 96.8% of the Company's total trade receivables balance as at 31 March 2020G.

Accounts receivable decreased from SAR 548.8 million during the year ended 31 March 2020G to SAR 323.9 million as at the year ended 31 March 2021G due to the collection of part of the overdue receivables from the Saline Water Conversion Corporation during the period, which led to the balance of trade receivables from the Saline Water Conversion Corporation to decrease from SAR 531.5 million as at 31 March 2020G to SAR 238.0 million as on 31 March 2021G. There were no significant changes in the credit terms with the Saline Water Conversion Corporation. The expected credit loss provision increased to SAR 3.9 million during the year ended 31 March 2020G, and SAR 6.7 million during the year ended 31 March 2021G, in line with the expected credit loss model. Since the adoption of IFRS 9, the Company has applied the simplified approach to measuring expected credit loss by using the lifetime expected credit loss of trade receivables and other financial assets. To measure the expected credit loss provision, trade receivables have been calculated based on common credit risk characteristics and days past due. The provisions of SAR 3.9 million as at 31 March 2020G and SAR 6.7 million as at 31 March 2021G were calculated based on the customer's payments over a period of 48 months prior to the years ended 31 March 2020G and 2021G, respectively, in addition to the historical credit losses that occurred during the same period.

The average collection period has been reduced from 150 days on 31 March 2019G to 139 days on 31 March 2020G, due to the fact that major projects have been completed and good progress has been made compared to 2019G and the efficiency of bill collection has been raised by the management. The credit period granted to the Saline Water Conversion Corporation is 45 days, while the credit period granted to the rest of the Company's customers ranged between 60 to 90 days. The average collection period increased from 139 days on 31 March 2020G to 200 days on 31 March 2021G, as there was a relative slowdown in the collection of overdue receivables from the Saline Water Conversion Corporation during 2021G resulting from the Corona pandemic.

21) Due from related parties

Table (6-42): Due from related parties balances throughout years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
Welspun Mauritius Holdings Company	-	-	2,996
Aziz Company for Contracting & Industrial Investment	-	-	1,791
Vision International Investment Company	-	-	978
Mohawareen Industrial Services	-	-	296
Welspun Corp Limited	-	3	111
Aziz European Pipe Factory	-	-	53
Welspun Pipes Coating Company	27,492	89,825	-
Total due from related parties	**27,492**	**89,829**	**6,195**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company.

Due from related parties for the year ended 31 March 2020G consisted of payments made on behalf of Welspun Pipes Coating Company. The following transactions were made between the Company and Welspun Pipes Coating Company:

- Transactions with suppliers of Welspun Pipes Coating Company (as the banking facilities are under the name of the Company).
- Insurance expenses paid on behalf of Welspun Pipes Coating Company .
- Employees' salaries and other expenses paid on behalf of Welspun Pipes Coating Company .
- The Company paid the Welspun Pipes Coating Company for its subcontracted coating services.
- Collections received on behalf of Welspun Pipes Coating Company .

Balances due from related parties which amounted to SAR 89.8 million as of 31 March 2020G related to payments made on behalf of Welspun Pipes Coating Company such as insurance payments, employee related expenses and banking facilities.

22) Advances to suppliers

Advances to suppliers as of 31 March 2019G and 2020G mainly related to advances paid on behalf of Welspun Pipes Coating Company relate to coating materials purchased, such as, the import of welding flux materials used for the welding process on the Company's pipes and other services. The progression to supplier movement is largely driven by the purchase of materials to meet production requirements (which may vary from month to month). Advances to suppliers increased from SAR 1.9 million as at 31 March 2019G to SAR 5.0 million as at 31 March 2020G as a result of the increase in sales of Welspun Pipes Coating Company during 2020G.

Advances to suppliers also increased to SAR 19.0 million as at 31 March 2021G, due to the Company receiving the raw materials needed to deliver on the majority of existing projects.

23) Prepaid expenses

Prepaid expenses are primarily related to the prepayments on commitment fees to lenders and medical and property insurance expenses. The Company obtained additional banks facilities to support its working capital requirements which led to a decrease in the cash payments to the suppliers during 2020G. Prepaid expenses decreased from SAR 58.1 million as at 31 March 2019G to SAR 2.4 million as at 31 March 2020G.

Prepaid expenses increased from SAR 2.4 million during the year ended 31 March 2020G to SAR 2.7 million as at 31 March 2021G as a result of an increase in the balance of prepaid medical insurance expenses by SAR 0.3 million as of 31 March 2021G, compared to the same balance as of 31 March 2020G.

24) Others

Other receivables mainly comprised of advances to employees and Value Added Tax (VAT) receivables. Other receivables decreased from SAR 4.9 million during the year ended 31 March 2019G to SAR 0.5 million as at the year ended 31 March 2020G. This was due to the settlement of the debit VAT balance relating to the year ended 31 March 2020G.

Other receivables increased from SAR 0.5 million as of 31 March 2020G to SAR 3.8 million as at 31 March 2021G mainly due to the merger of Welspun Pipes Coating Company.

25) Zakat and income tax refundable

Table (6-43): Zakat and income tax refundable breakdown for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
As at 1 April	(3,051)	(3,168)	22,614
Transfers	-	-	490
Provisions for the year	50	25,942	20,137
Payments	-	-	(25,511)
Adjustments related to prior periods	(167)	-	-
Advance tax paid during the year	-	(160)	(16,029)
As at 31 March	**(3,168)**	**22,614**	**1,701**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company.

As at the year ended 31 March 2019G, the net balance of zakat and income tax refunded amounted to SAR (3.2) million, mainly due to the income tax payable. As at 31 March 2020G, the net balance of zakat and income tax payable was SAR 22.6 million, consisting of SAR 4.6 million of zakat payable and SAR 18.0 million of income tax payable under current liabilities as at 31 March 2019G as a result of the profits achieved during 2020G.

26) Cash and cash equivalents

Table (6-44): Cash and cash equivalents breakdown for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
Cash in hand	8	33	12
Cash at bank	16,229	69,091	42,304
Total cash and cash equivalents	**16,237**	**69,124**	**42,316**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company.

Cash and cash equivalents balance increased from SAR 16.2 million as at 31 March 2019G to SAR 69.1 million as at 31 March 2020G, driven by an increase in net cash inflows from financing activities as the Company obtained additional short-term borrowings amounting to SAR 247.9 million during the year, offset by repayments made to long-term borrowings and lease liabilities amounting to SAR 43.8 million combined. Additionally, the increase in net cash inflows from financing activities was partially offset by a net cash outflow of SAR 148.3 million from operating activities driven by an increase in trade and other receivables.

The balance of cash and cash equivalents decreased from SAR 69.1 million during the year ended 31 March 2020G to SAR 42.3 million as at the year ended 31 March 2021G, mainly driven by the repayment of the loan granted by the Saline Water Conversion Corporation.

27) Non-current liabilities

Table (6-45): Non-current liabilities breakdown for financial years ended 31 March 2019G, 2020G and 2021G :

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
Long-term borrowings	37,500	-	-
Long-term loans from shareholders	105,882	105,882	-
Lease liabilities	-	25,108	21,706
Deferred tax liability	-	739	8,003
Employee benefit obligations	9,218	12,033	16,630
Advance from a customer	38,372	-	-
Total non-current liabilities	**190,972**	**143,762**	**46,340**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company.

28) Long-term borrowings

Table (6-46): Long-term borrowings for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
Saudi Industrial Development Fund	32,698	32,698	-
Commercial bank loan	75,000	37,500	-
Less: unamortized transaction costs	(441)	-	-
Add: accrued financing costs	1,846	541	-
Total borrowings	**109,103**	**70,739**	**-**
Less: Current portion of long-term borrowings	71,603	70,739	-
Total long-term borrowings	**37,500**	**-**	**-**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company.

The banking facilities obtained by the Company are Shariah compliant and approved by the Shariah committees within banks. The Company has utilized its facilities in addition to its cash flows from operations to meet its operational, financial and capital expenditure requirements. The long-term borrowings obtained are the following:

29) Saudi Industrial Development Fund (SIDF)

The Company entered into a loan agreement with the Saudi Industrial Development Fund on 11/05/1435H (corresponding to 12/03/2014G) and it was amended on 15/08/1441H (corresponding to 04/08/2020G) with a value of SAR 125.2 million for the purpose of financing the expansion of the pipe factory.

The final repayment amount has been paid during 2021G.

30) Commercial bank loan

The Company obtained a medium-term facility of SAR 150.0 million from Al Awwal Bank (currently referred to as the Saudi British Bank). The loan bears financial charges according to prevailing market rates, based on SIBOR. As at 31 March 2020G, the Company was not in compliance with loan covenants, more specifically related to the leverage ratio of the Company, as per the agreement with Al Awwal Bank (currently referred to as the Saudi British Bank). However, there was no implication on the Company for the covenants breach. The Company has repaid the full amount of the loan. The commercial loan is secured by corporate guarantees provided by the Company's shareholders. Please see to the "**Material Agreements with Related Parties**" No. 12.5 in this Prospectus for more information on the nature of these guarantees.

31) Term loan agreements

Table (6-47): Term loan agreements as at 31 March 2019G, 2020G and 2021G:

Currency: SAR000	Available Amount (SAR millions)	Amount outstanding as of 31 March 2021G	Agreement date	Purpose of financing	Covenants and other conditions
Saudi Industrial Development Fund	125.2	-	12 March 2014G and was amended on 8 April 2020G	To finance the construction of the factory facilities	• Current assets / current liabilities > 1:1. • Total liabilities / total equity < 3:1. • Maximum annual capital expenditures < SAR 7.0 million. • Maximum annual rental expenses > SAR 2.1 million. • The maximum annual dividend must be less than 25% of paid-in capital or total repayment during the year.
Commercial bank loan (Saudi British Bank currently)	150.0	-	13 June 2014G	Working capital loan	• Tangible net worth of SAR 110.0 million; • Current ratio not to fall below 1.0x during the facilities' lifetime; • Leverage ratio not to exceed 1.8x during the facilities' lifetime; • Debt Service Coverage Ratio not to fall below 1.5x during the facilities' lifetime;
Alinma Bank (medium term loan)	1,120.0	90.4	30 May 2018G and was amended on 19 April 2020G	Facilities for the project of manufacturing and supplying pipes for the Jubail project and the Madinah water transmission system.	• Current assets / current liabilities> 1.25:1. • Total liabilities / net tangible value < 3:1. • Maximum tangible net worth: SAR 105.9 million. • Maximum capital expansions or investments < SAR 10.0 million.
National Commercial Bank (medium term loan)	530.0	38.8	7 October 2018G and was amended on 4 June 2020G	Financing for purchase of raw materials	• Current assets / current liabilities > 1:1. • Total liabilities / Net tangible value < 2.5:1.
Total facilities	**1,925.2**	**129.2**			

Source: Management information.

The Company has paid the loan and released the mortgage provided as a guarantee for the Saudi Industrial Development Fund, which is located on the Company's factories and all its related equipment, movables and accessories established on the land leased from the Industrial Cities Authority, which has an area of 140 thousand square meters.

There are no other mortgages on the Company's property as at 31 March 2021G.

The Company also repaid the Alinma Bank loan in April 2021G.

The above-mentioned loans are covered by corporate guarantees provided by shareholders as well performance guarantees by Saleh bin Mohammed bin Hamad Al Hammadi and Mohammed bin Abdul Rahman bin Abdullah Al Othman (please see to the "**Financing Agreements**" sub-section No. 12.4.3 as well as the "**Material Agreements with Related Parties**" section No. 12.5 of this Prospectus for more details).

32) Long-term loans from shareholders

Table (6-48): Long-term loans from shareholders for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
Welspun Mauritius Holdings Company Ltd.	52,816	52,816	483
Aziz Company for Contracting and Industrial Investment	-	35,289	275
Vision International Investment Company	-	17,777	159
Aziz European Pipe Factory	53,066	-	-
Mohawareen Industrial Services	-	-	48
Total loans from shareholders	105,882	105,882	965
Financing costs due	-	-	2,199
Balance total	**105,882**	**105,882**	**3,164**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company.

Table (6-49): Movement in the principal component of loans from shareholders (total core shareholder loans) 31 March 2020G and 2021G:

Currency: SAR000	31 March 2020G	31 March 2021G
As at 1 April	105,882	105,882
Transfer from Welspun Pipes Coating Company		
Welspun Mauritius Holdings Company Ltd.	-	14,023
Aziz Company for Contracting and Industrial Investment	-	6,756
Vision International Investment Company	-	8,257
Sub-total	**-**	**29,036**
Mohawareen Industrial Services	-	6,732
Welspun Mauritius Holdings Company Ltd.	-	633
Subtotal	**-**	**7,366**
Payments		
Vision International Investment Company	-	(3,773)
Aziz Company for Contracting and Industrial Investment	-	(3,593)
Sub-total	**-**	**(7,366)**
Total	**105,882**	**134,919**

Currency: SAR000	31 March 2020G	31 March 2021G
Transferred to share capital:		
Welspun Mauritius Holdings Company Ltd.	-	(66,990)
Aziz Company for Contracting and Industrial Investment	-	(38,177)
Vision International Investment Company	-	(22,102)
Mohawareen Industrial Services	-	(6,684)
Sub-total	**-**	**(133,953)**
Total principal shareholders' loans at 31 March	**105,882**	**965**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company.

The Company loans from shareholders had an outstanding amount of SAR 105.9 million at 31 March 2020G. The outstanding aggregate loans balance was constant as at 31 March 2019G and 2020G. The shareholders of the Company provided loans in 2010G amounting to SAR 105.9 million at 5.25% per annum.

The outstanding balance of shareholder loan obtained from Aziz European Pipe Factory at 31 March 2019G was reassigned to Aziz Company for Contracting and Industrial Investment and Vision International Investment Company as at 31 March 2020G with the outstanding balances of SAR 35.3 million and SAR 17.8 million, respectively, as the previous shareholding percentage of Aziz European Pipe Factory of 45.0% was transferred to the aforementioned shareholders with a split in shareholding percentage by 28.5% and 16.5%, respectively.

Loans from the shareholders' balance amounting to SAR 140.5 million on 30 September 2020G were transferred from non-current liabilities to current liabilities, subsequently, the Company increased its capital by capitalizing SAR 134.0 million from the balance of shareholders' loans after their approval, as recorded in the minutes of the extraordinary general assembly meeting held on 13/5/1442H. Hence, the balance of long-term borrowings from the shareholders decreased from SAR 105.8 million as of 31 March 2020G to SAR 3.2 million as at 31 March 2021G.

The outstanding balance of long-term borrowings from shareholders as at 31 March 2021G, amounting to SAR 3.2 million, was paid in full during the month of September 2021G.

33) Lease liabilities

Table (6-50): Lease liabilities for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
Future minimum lease payments	-	43,933	47,533
Less: repayment of minimum lease payments	-	(7,796)	(16,030)
Less: future financing costs not yet due	-	(4,413)	(3,865)
Net present value of minimum lease payment	**-**	**31,724**	**27,639**
Less: current portion presented under current liabilities	**-**	**(6,617)**	**(5,932)**
Non-current portion of lease liabilities	**-**	**25,108**	**21,706**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company.

The Company's management entered into certain agreements which entitled the Company to right-of-use assets and obligations relating to parcels of land and buildings. The Company recognizes rental liabilities related to lease contracts in accordance with IFRS 16.

The Company did not have any balances for lease liabilities related to lease contracts as at 31 March 2019G and this was a result of the Company not yet adopting IFRS 16 at that time.

During 2020G, the Company paid rent amounting to SAR 7.8 million related to villas for employees, and it has terminated leases amounting to SAR 0.5 million also related to villas for employees, which resulted in current lease liabilities amounting to SAR 6.6 million and longterm lease liabilities to SAR 25.1 million as of 31 March 2020G.

On 31 March 2021G, the Company made lease payments of SAR 16.0 million, which resulted in current lease liabilities of SAR 5.9 million and long-term lease liabilities of SAR 21.7 million on 31 March 2021G.

34) Deferred tax liability/assets

Refer to table 6.14 "General and administrative expenses for the financial years ended 31 March 2019G, 2020G and 2021G" of this Prospectus for further details on the movement and recognition of deferred tax liability of the Company.

35) Employee benefit obligations

Table (6-51): Employee benefit obligations financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
As at 1 April	6,532	9,218	12,033
Transfers	-	-	3,476
Current service cost	1,169	1,631	1,460
Interest expense	322	382	496
Payments	(168)	(471)	(1,344)
Remeasurements	1,362	1,273	509
As at 31 March	**9,218**	**12,033**	**16,630**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company.

Employees' end of service benefits obligations represent the provision for employees' end of service benefits at the end of each financial year and are calculated using independent actuarial valuations. The balance of employees' benefit obligations increased by 30.5% to SAR 9.2 million as at 31 March 2019G to SAR 12.0 million as at 31 March 2020G, subsequently, it increased by 38.2% to SAR 16.6 million as at the year ended 31 March 2021G resulting from the merger of the Company and Welspun Pipes Coating Company in addition, it was driven by the accumulation of liabilities payable to employees.

The increases in employee benefit obligations are in line with the change in the Company's defined benefit obligation year-on-year as well as a change in the discount rate assumption from 4.3% in 2019G, reaching 3.5% in 2020G and subsequently reaching 3.6% in 2021G. As the Company adopted IFRS 19, the use of actuarial valuations for provisions for benefits payable to employees was required.

36) Advance from customer

Advance from customer balance amounting to SAR 38.4 million as at 31 March 2019G primarily related to the non-current portion of advances from Saline Water Conversion Corporation, based on the expected future billings and delivery of contracts. The outstanding balance was classified under non-current liabilities based on expected progress billings in 2020G.

37) Current liabilities

Table (6-52): Current liabilities breakdown for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
Trade and other payables	337,929	191,829	109,569
Current portion of long-term borrowings*	71,603	70,739	-
Current portion of lease liabilities*	-	6,617	5,932
Short-term borrowings	187,124	436,428	130,409
Zakat and income tax payable	-	22,614	5,817
Current portion of long-term shareholder loans	-	-	3,164
Total current liabilities	**596,655**	**728,226**	**254,892**
Key Performance Indicators			
Days payable outstanding (with related parties)	135	30	131
Days payable outstanding (without related parties)	135	30	131

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company and management information of the Company.

*Details about the current portion of the long-term borrowings and current portion of the lease liabilities are presented in the section that discusses long-term borrowings and lease liabilities.

38) Trade and other payables

Table (6-53): Trade and other payables for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
Trade payables	263,419	108,299	76,529
Advances from customers	58,282	38,740	17,325
Accrued expenses	6,006	13,921	8,242
Salaries and benefits	3,720	7,909	7,026
Related parties	5,131	-	402
Value added tax payable	-	22,960	-
Accrued financial charges	1,371	-	3
Total trade and other payables	**337,929**	**191,829**	**109,569**
Key Performance Indicators			
Days payable outstanding (with related parties)	135	30	56
Days payable outstanding (without related parties)	135	30	56

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G of the Company and management information of the Company.

39) Trade payables

Table (6-54): Trade payables for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
Trade payables	253,668	2,839	76,529
Advance payments to Saudi Iron and Steel Company	-	(10,132)	-
Advance payments to Sultan Transportation Company	-	(22,223)	-
Other trade payables	9,751	137,815	-
Total trade payables	**263,419**	**108,299**	**76,529**

Source: Management information.

Table (6-55): Aging of trade payables excluding advances and other trade payables for the years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
0-30 days	185,608	2,127	33,665
31-60 days	66,864	285	1,083
61-90 days	917	(6,966)	1,472
91-180 days	83	(58)	11
181-360 days	(2)	7,318	1,249
Over 360 days	198	133	(1,445)
Invoices under settlement	-	-	40,494
Total trade payables excluding advance payments and other trade payables	**253,668**	**2,839**	**76,529**

Source: Management information.

Trade receivables mainly consist of receivables to suppliers of raw materials and spare parts and to providers of transportation and other services. Trade payables decreased by 58.9% from SAR 263.4 million as at 31 March 2019G to SAR 108.3 million as at 31 March 2020G, as the Company's management settled the outstanding balance of the Saudi Iron and Steel Company from SAR 247.6 million as at 31 March 2019G to SAR 0.2 million as at 31 March 2020G. There was an outstanding balance for the Saudi Iron and Steel Company amounting to SAR 97.3 million under other payables on 31 March 2020G.

Trade payables also decreased to SAR 76.5 million as at 31 March 2021G, as a result of paying a large portion of the payables to suppliers of raw materials after the availability of the necessary cash during the period. The Company paid SAR 313.9 million to Golden Source Trading Company as well as paying SAR 194.9 million during 2021G.

The average repayment period has increased from 135 days during the year ended 31 March 2019G to 30 days in the year ended 31 March 2020G due to an increase in raw material purchases during the year from increased quantities of pipes to be manufactured and delivered to contracts granted by the Saline Water Conversion Corporation. While the average payment period in days increased to 56 days in the year ended 31 March 2021G as a result of the increase in the balance of payables due from purchases of raw materials from the Saudi Iron and Steel Company amounting to SAR 56.2 million as at 31 March 2021G.

40) Advances from customers

Advances from customers represents the down-payments received from the local customers of the Company, which is amortized and adjusted upon the sale and delivery of the pipes. Advances from customers decreased to SAR 38.7 million as at 31 March 2020G, which primarily relate to the decrease in back log from Saline Water Conversion Corporation from SAR 2,163.6 million at 31 March 2019G to SAR 736.0 million as of the year ended 31 March 2020G.

The advance payments from the Saline Water Conversion Corporation contributed 96.0% and 98.5% as at 31 March 2019G and 2020G, respectively, of the total payments made by customers, and there were no advance payments from the Saline Water Conversion Corporation on 31 March 2021G.

The balance of advance payments from customers decreased again to SAR 17.3 million as of the year ended 31 March 2021G, mainly driven by a decrease in advances from the Saline Water Conversion Corporation, the main customer of the Company.

41) Value added tax payable

The value added tax (VAT) payable net balance was SAR 23.0 million as at 31 March 2020G.

42) Accrued expenses

Accrued expenses mainly relate to visa charges and other payables to contract workers. Accrued expenses increased by 131.8% from SAR 6.0 million as at 31 March 2019G to SAR 13.9 million as at 31 March 2020G driven by the increase in the Company's operations. The Company incurred additional accrued expenses during the year ended 31 March 2020G, which resulted in an increase in the balance by 131.8% to SAR 13.9 million at the end of the year due to the increase in the accrued financing expenses and capital guarantee commission provisions for the Company's shareholders mainly for the National Commercial Bank and Alinma Bank loan facilities.

This balance decreased as of 31 March 2021G to SAR 8.2 million resulting from the repayment of loans in 2021G after the required cash was available during the period ended 31 March 2021G.

43) Salaries and benefits payable

Salaries and benefits payable mainly consist of accrued vacation pay, airfare expenses and bonuses payable by the Company to their employees. Accrued salaries and benefits increased from SAR 3.7 million during the year ended 31 March 2019G to SAR 7.9 million as of 31 March 2020G, as the balance as of 31 March 2020G included accrued bonuses amounting to SAR 3.8 million as well as accrued vacation expenses of SAR 2.7 million.

Accrued salaries and benefits decreased to SAR 7.0 million as of 31 March 2021G, by SAR 0.9 million, as a result of a decrease in the remuneration payable balance from SAR 4.1 million as on 31 March 2020G to SAR 0.1 million as at 31 March 2021G. This decrease was offset by an increase in vacation expenses payable to the Company's employees from SAR 2.7 million on 31 March 2020G to SAR 4.2 million on 31 March 2021G as a result of transferring the accrued vacation balance of Welspun Pipes Coating Company after the merger.

44) Accrued financing costs

Accrued financing costs mainly consist of financial charges related to shareholder loans.

The balance of SAR 0.1 million on 31 March 2019G represents the current portion of these costs. It should be noted that the accrued financing costs amounting to SAR 1.4 million as at the year ended 31 March 2020G have been reclassified under the short-term borrowings account. Please see table 6.58 "Short-term borrowings for the financial years ended 31 March 2019G, 2020G, and 2021G" for details on the short-term borrowings and financing costs due on the years ended on 31 March 2020G and 2021G.

45) Due to related parties

Table (6-56): Due to related parties balances throughout years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
Aziz Company for Contracting and Industrial Investment	3,174	-	-
Welspun Corp Limited	1,195	-	-
Mohawareen Industrial Services	107	-	232
Vision International Investment Company	655	-	128
Arabian Pipes Company Project	-	-	32
Total due to related parties	**5,131**	**-**	**402**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G.

46) Due to related parties

The amounts due to related parties at the year ended 31 March 2019G mainly relate to Aziz Company for Contracting and Industrial Investment, amounting to SAR 3.2 million payable to Aziz Company for Contracting and Industrial Investment as a result of providing guarantees to the lending banks of the Company. Related parties consist of shareholders, directors, associates and key management personnel. It also includes related parties consisting of entities in which shareholders have a stake ("Other related parties").

The shareholder agreement requires a conservative majority vote for all major decisions. Accordingly, the Company is under the joint control of the major shareholders i.e. Welspun Mauritius Holdings Limited (50.01%), Aziz Contracting and Industrial Investment Company (28.5%) and Vision International Investment Company (16.5%). Welspun Mauritius Holdings Limited is principally controlled by Welspun Corps Limited.

The following are the key transactions carried out by the Company:

Table (6-57): Due to related parties balances throughout years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	2019G	2020G	2021G
Relationship and nature of transactions			
Procurement and other related services from associate companies	14,571	20,433	25,289
Corporate guarantee fees for the Company	-	-	6,850
Listing expenses charged to shareholders	-	-	5,930
Financial expenses charged by shareholders	5,558	5,574	5,238
Purchases and other related services from a shareholder	3,267	3,264	742
Sales to an associate	4,416	2,919	-
Costs charged by shareholders	114	3,412	-
Cost charged to associates	2,075	1,434	-

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G.

Related party transactions also included compensation for senior management employees and loans from shareholders, as explained above.

47) Current portion of long-term borrowings

The Company recognized current-portion liabilities on its long-term borrowings of SAR 26.3 million, SAR 71.6 million and SAR 70.7 million as at 31 March 2018G, 2019G and 2020G, respectively, relating to the long-term borrowings it obtained from the Saudi Industrial Development Fund and Alawwal Bank (currently referred to as the Saudi British Bank). Please see table 6.46 "Long-term loans for the financial years ended on 31 March 2019G and 2020G" for more details about these loans.

48) Current portion of lease liabilities

During 2020G, the Company paid leases amounting to SAR 7.8 million related to villas for employees, and it terminated leases amounting to SAR 0.5 million also related to villas for employees, which resulted in the current lease liabilities amounting to SAR 6.6 million and long-term lease liabilities amounting to SAR 25.1 million as of 31 March 2020G.

During 2021G, the Company paid leases amounting to SAR 7.8 million, which corresponded to interest amounting to SAR 1.2 million, which then resulted in current lease liabilities amounting to SAR 5.7 million and long-term lease liabilities amounting to SAR 19.5 million as of 31 March 2021G.

Please see table 6.50 "Lease liabilities for the financial years ended 31 March 2019G, 2020G and 2021G" for more details about the Company's lease liabilities.

49) Short-term borrowings

Table (6-58): Short-term borrowings for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
Short-term borrowings	173,690	435,042	129,201
Accrued financing costs	-	1,386	1,208
Bank overdrafts	13,433	-	-
Total short-term borrowings	**187,124**	**436,428**	**130,409**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G.

Short-term bank borrowings and bank overdraft facilities were obtained from multiple banks such as the National Commercial Bank and Alinma Bank, they are bearing financial expenses at prevailing market rates that depend on the Saudi Interbank Offered Rate (SIBOR). These facilities were obtained for the purchase of raw materials. These facilities are guaranteed by corporate guarantees provided by the shareholders of the Company (for details about the agreements with related parties, please see section No. 12.5 "**Material Agreements with Related Parties**" of this Prospectus).

Short-term borrowings increased by 150.5% from SAR 173.7 million as at 31 March 2019G to SAR 435.0 million as at 31 March 2020G as the Company obtained additional working capital loans from local banks, primarily from Alinma Bank, to support its procurement and manufacturing operations.

The Company incurred the cost of bank overdraft facilities amounting to SAR 0.4 million as of 31 March 2019G. No bank overdrafts were recorded for the Company as at 31 March 2020G or 2021G.

Table (6-59): Breakdown of short-term borrowings (excluding accrued financing costs)for the financial years ended 31 March 2019G, 2020G and 2021G :

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
National Commercial Bank	38,440	320,329	38,804
Alinma Bank	148,684	114,713	90,396
Total short-term borrowings (excluding accrued financing costs)	**187,124**	**435,042**	**129,201**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G.

The loan obtained from National Commercial Bank was a facility utilized to fund the working capital requirements of the Company's operations. During 2020G, the Company further availed an amount of SAR 281.9 million towards the revolving facility, resulting in an increase in the borrowing balance year-on-year. During 2020G, the authorized limit for the facility was decreased from SAR 550.0 million to SAR 530.0 million. National Commercial Bank's facility expires on 10/12/1441H (corresponding to 31 July 2020G).

The Alinma Bank facility was obtained and utilized to fund the purchase of raw materials for the Company. During 2020G, the Company repaid an amount of SAR 34.0 million towards the facility which resulted in a decrease in the balance to SAR 114.7 million in 2020G.

The balance of short-term borrowings decreased from SAR 435.0 million as of 31 March 2020G to SAR 129.2 million as of 31 March 2021G as a result of a decrease in the withdrawal of financing working capital requirements due to the availability of cash by the Company.

50) Zakat and income tax payable

The Company's balance of net zakat and refundable income tax amounted to SAR 3.2 million as of 31 March 2019G, and it consisted of SAR 50 thousand of zakat due and SAR (3.2) million of refundable income tax.

The Company incurred net zakat and income tax payable balance of SAR 22.6 million as at 31 March 2020G, which comprised of SAR 4.6 million zakat payable and SAR 18.0 million in income tax payable.

The Company's balance of net zakat and refundable income tax amounted to SAR 1.7 million as of 31 March 2021G which consisted of SAR 5.8 million of zakat payable and SAR (4.1) million of refundable income tax.

Please see to table 6.43 "Distribution of zakat and recoverable income tax for the financial years ended 31 March 2019G, 2020G and 2021G" for an overview of zakat and income tax liabilities and assets.

51) Total equity

Table (6-60): Total equity for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	31 March 2019G	31 March 2020G	31 March 2021G
Share capital	76,047	76,047	210,000
Statutory reserve	-	20,179	35,005
Retained earnings (accumulated losses)	(35,145)	180,337	272,612
Total	**40,902**	**276,562**	**517,617**
Key Performance Indicator			
Return on equity	(169.4)%	85.7%	28.6%

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G.

52) Share capital

Table (6-61): Total share capital for the financial years ended 31 March 2019G, 2020G and 2021G :

Currency: SAR000	Country of incorporation	31 March 2019G	31 March 2020G	31 March 2021G
Welspun Mauritius Holdings Company Limited	Mauritius	50.01%	50.01%	50.01%
Aziz Company for Contracting and Industrial Investment	Saudi Arabia	-	28.50%	28.50%
Vision International Investment Company	Saudi Arabia	-	16.50%	16.50%
Mohawareen Industrial Services	Saudi Arabia	4.99%	4.99%	4.99%
Aziz European Pipe Factory	Saudi Arabia	45.00%	-	-
Total		**100.0%**	**100.0%**	**100.0%**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G.

The issued capital of the Company consists of the authorized and paid-up capital of SAR 210.0 million, which is divided into SAR 10 per share.

The Company's shareholders decided, based on the recommendation of the Company's board of directors on 10 September 2020G, at the extraordinary general assembly meeting held during September 2020G, to increase the Company's capital by SAR 5 as part of the conversion of the Company from a limited liability company to a closed joint stock company. The legal procedures related to this capital increase have been completed.

In addition, as part of the conversion of the Company into a closed joint stock company, a total of 76,046,875 shares listed at SAR 1 per share were converted to 7,604,688 shares listed at SAR 10 per share.

The Company's shareholders also decided in the extraordinary general assembly meeting on 28 December 2020G, to increase the Company's capital in the amount of SAR 133.9 million, and it was fulfilled through shareholder loans amounting to SAR 133.9 million in favour of the shareholders under the financial accountant's certificate.

53) Statutory reserve

In accordance with the Company's Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the profit for the year to a statutory reserve, after adjusting accumulated losses, until such reserve equals at least 30% of its share capital.

The statutory reserve is not available for distribution to the shareholders of the Company.

54) Retained earnings (accumulated losses)

Retained earnings (accumulated losses) increased from SAR (35.1) million as of 31 March 2019G to SAR 180.3 million as of 31 March 2020G and subsequently increased further to SAR 272.6 million as of 31 March 2021G resulting from of the Company achieving profits in the two years ended 31 March 2021G and 31 March 2021G.

55) Contingencies and commitments

As of 31 March 2019G, the Company was contingently liable for letters of credits and guarantees in the normal course of business amounting to SAR 876.0 million, the balance decreased to SAR 517.4 million as of 31 March 2020G and further decreased to SAR 479.9 million as of 31 March 2021G.

C. Cashflow statement of the Company

Table (6-62): Statement of cash flows for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	2019G	2020G	2021G
Profit (loss) before zakat and income tax	**(72,352)**	**266,550**	**175,668**
Adjustments for:			
Depreciation	25,955	33,594	38,519
Amortization	212	216	115
Gain from sale of property and equipment	(64)	(36)	-
Gain on early termination of lease liabilities	-	(117)	-
Provision (reversal) for inventory obsolescence	(332)	3,731	649
Expected credit loss provision	-	3,928	2,498
Financing costs	28,018	48,110	32,011
Provisions for employee benefit obligations	1,169	1,631	1,460
Changes in operating assets and liabilities:			
Decrease (increase) in inventories	(139,058)	16,666	74,570
Decrease (Increase) in trade and other receivables	(272,156)	(290,289)	306,303

Decrease (increase) in trade and other payables	262,008	(184,827)	(204,450)
Cash from (used in) operations	**(166,599)**	**(100,843)**	**427,342**
Financing costs paid	(21,124)	(46,851)	(27,070)
Employee benefit obligations paid	(168)	(471)	(1,344)
Currency: SAR000	**2019G**	**2020G**	**2021G**
Zakat and income tax paid	-	(160)	(41,540)
Net cash inflow (outflow) from operating activities	**(187,891)**	**(148,324)**	**357,387**
Payments for purchases of property, plants and equipment	(23,468)	(2,919)	(1,453)
Payments for purchases of intangible assets	(40)	(10)	(6)
Proceeds from sale of property and equipment	70	36	-
Net cash from (utilized in) investing activities	**(23,438)**	**(2,893)**	**(1,459)**
Changes in short-term borrowings	187,124	247,918	(305,841)
Repayments of long-term borrowings	(18,750)	(37,500)	(70,198)
Repayments of lease liabilities	-	(6,314)	(6,724)
Loan proceeds from shareholders	-	-	7,366
Loan payments to shareholders	-	-	(7,366)
Net cash generated (used in) from financing activities	**168,374**	**204,104**	**(382,762)**
Net change in cash and cash equivalents	(42,955)	52,887	(26,834)
Cash transfers	-	-	27
Cash and cash equivalents at beginning of year	59,192	16,237	69,124
Cash and cash equivalents at end of year	**16,237**	**69,124**	**42,316**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and 2021G.

1) Cash flows from operating activities

Cash flows from operating activities improved by 21.1% from SAR (187.9) million in 2019G to SAR (148.3) million in 2020G mainly due to the net of the following:

- The decrease in inventory by SAR 16.7 million during the year as a result of an increase in raw materials used to meet orders;
- The increase in trade receivables by SAR 29.3 million; and
- The decrease in payables by SAR 184.8 million due to payments to raw material suppliers.

Cash flows from operating activities improved by 21.1% from SAR (148.3) million in 2020G to SAR 357.4 million in 2021G, driven by the collection of a large portion of the balances of trade receivables from the Saline Water Conversion Corporation.

2) Cash flows from investing activities

The Company's investment activities included a payment for the addition and sale of property, plant and equipment in addition to payments for the purchase of intangible assets. The net cash flow used in investment activities decreased from SAR 23.4 million in 2019G to SAR 2.9 million in 2020G, as the capital expenditures incurred by the Company by purchasing machinery for the fourth mill amounted to SAR 18.5 million in 2020G (mainly representing costs for equipment and construction costs of buildings and infrastructure). The net cash flow from investment activities decreased from SAR 2.9 million in 2020G to SAR 1.5 million in 2021G as the Company's capital expenditures during the year including purchase of an ambulance, air conditioners, generators, and a lighting tower and other capital work in progress related to the construction of the pipes plant.

There was a slight change in the cash flows used in investing activities during 2021G, amounting to SAR 1.4 million belonging to the Company and not related to Welspun Pipes Coating Company.

3) Cash flows from financing activities

The net cash flows from financing activities increased from SAR 168.4 million in 2019G to SAR 204.1 million in 2020G, as the Company obtained additional short-term borrowings amounting to SAR 247.9 million, which was also offset by the repayment of the outstanding loan amounts. In addition, SAR 37.5 million resulted from the payment of lease liabilities of SAR 6.3 million. The net cash flows from financing activities decreased by 287.5% to SAR (386.8) million in 2021G, as the Company repaid a large part of the outstanding loans during 2021G after the availability of excess cash due to collecting outstanding receivables from the Saline Water Conversion Corporation.

No dividends were paid to the Company's shareholders during the financial years ended 31 March 2019G, 2020G and 2021G.

6-4-2 Summary of financial information of Welspun Pipes Coating Company

Table (6-63): Summary of financial information and key performance indicators of Welspun Pipes Coating Company

Currency: SAR000	2019G	2020G	Period from 1 April to 20 July 2020G
Statement of profit or loss and other comprehensive income			
Revenue	47,031	137,398	39,449
Cost of revenue	(56,198)	(114,683)	(33,121)
Gross profit / (loss)	**(9,167)**	**22,714**	**6,328**
General and administrative expenses	(4,506)	(4,161)	(1,014)
Expected credit loss provision	(243)	-	-
Other income	550	116	426
Operating profit / (loss)	(13,366)	18,670	5,739
Financing costs	(4,774)	(4,705)	(625)
Profit / (loss) before zakat and income tax	**(18,140)**	**13,965**	**5,114**
Zakat	-	(180)	(57)
Income tax expense	-	(1,388)	(433)
Profit (loss) for the year	**(18,140)**	**12,397**	**4,624**
Other comprehensive loss			
Remeasurements of employee benefit obligations	(264)	(316)	(507)
Total comprehensive income (loss) for the year)	**(18,404)**	**12,081**	**4,117**
Statement of financial position			
Total equity	**(56,854)**	**(44,772)**	**(40,655)**
Total non-current assets	87,639	-	-
Total current assets	15,633	124,752	118,328
Total assets	**103,272**	**124,752**	**118,328**
Total non-current liabilities	81,251	-	-
Total current liabilities	78,875	169,524	158,983
Total liabilities	**160,126**	**169,524**	**158,983**
Total liabilities and equity	**103,272**	**124,752**	**118,328**
Statement of cashflows			
Net cash generated from in operating activities	6,681	35,241	18,946

Currency: SAR000	2019G	2020G	Period from 1 April to 20 July 2020G
Net cash generated from in investing activities	(53)	(387)	(580)
Net cash utilized in financing activities	(8,223)	(33,442)	(20,000)
Cash and cash equivalents at beginning of year	**1,843**	**249**	**1,661**
Cash and cash equivalents at end of year	**249**	**1,661**	**27**
Key performance indicators			
Production capacity (000 sqm)	4,000	4,000	4,000
Quantity sold (000 sqm)	362.7	2,310	85,932
Yield per square meter delivered to customer (SAR)	49.5	5.37	53.8
Material cost per sqm delivered to customer (SAR)	28.6	50	385
Gross profit margin (%)	(19.5)%	16.5%	16.0%
Net profit margin (%)	(38.6)%	9.0%	11.7%
Return on assets (%)	(17.6)%	9.9%	3.9%
Return on equity (%)	31.9%	(27.7)%	(11.4)%
Current ratio	0.2	0.7	0.7
Total assets to total liabilities	64.5%	73.6%	74.4%

Note: The figures related to 2020G in the above table have been extracted from the financial statements for the period ended on 20 July 2020G, please refer to sub-section 6.3.20 "**Correction of material error in revenue recognition (applicable to Welspun Pipes Coating Company)**" for more information.

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G of Welspun Pipes Coating Company, and management information.

A. Results of operations of Welspun Pipes Coating Company

The following is a summary of the financial information of Welspun Pipes Coating Company for the years ended on 31 March 2019G and 2020G and the period from 1 April to 20 July 2020G.

I) Statement of profit or loss and other comprehensive income

The following table shows the audited statement of profit or loss and other comprehensive income for Welspun Pipes Coating Company for the financial years ended on 31 March 2019G and 2020G, and the period from 1 April to 20 July 2020G:

Table (6-64): Statement of profit or loss and other comprehensive income of Welspun Pipes Coating Company for the financial years 2019G and 2020G and the period from 1 April to 20 July 2020G:

Currency: SAR000	2019G	2020G	Period from 1 April to 20 July 2020G	Variance (2019G-2020G)	Variance March 2020G – July 2020G	CAGR
Statement of comprehensive income						
Revenue	47,031	137,398	39,449	192.1%	(71.3)%	(8.4)%
Cost of revenue	(56,198)	(114,683)	(33,121)	104.1%	(71.1)%	(23.2)%
Gross profit	**(9,167)**	**22,714**	**6,328**	**(347.8)%**	**(72.1)%**	**N/A**
General and administrative expenses	(4,506)	(4,161)	(1,014)	(7.7)%	(75.6)%	(52.6)%
Expected credit loss provision	(243)	-	-	(100.0)%	0.0%	(100.0)%
Other income	550	116	426	(78.9)%	267.1%	(12.0)%

Currency: SAR000	2019G	2020G	Period from 1 April to 20 July 2020G	Variance (2019G-2020G)	Variance March 2020G – July 2020G	CAGR
Operating profit / (loss)	(13,366)	18,670	5,739	(239.7)%	(69.3)%	N/A
Financing costs	(4,774)	(4,705)	(625)	(1.4)%	(86.7)%	(63.8)%
Profit (loss) before zakat and income tax	**(18,140)**	**13,965**	**5,114**	**(177.0)%**	**(63.4)%**	**N/A**
Zakat	-	(180)	(57)	N/A	(68.2)%	N/A
Income tax expense	-	(1,388)	(433)	N/A	(68.8)%	N/A
Profit (loss) for the year	**(18,140)**	**12,397**	**4,624**	**(168.3)%**	**(62.7)%**	**N/A**
Key performance indicators						
Quantity sold (000 sqm)	961.6	2,311	85.9	140.5%	(96)%	70%
Yield per square meter delivered to customer (SAR)	49.5	59.5	53.8	20.0%	(9.6)%	N/A
Material cost per sqm delivered to customer (SAR)	28.6	50	38.5	74%	(23)%	16%
As a percentage of revenue						
Gross profit	(19.5)%	16.5%	16.0%	36.0	(0.5)	-
General and administrative expenses	9.6%	(3.0)%	(2.6)%	(12.6)	0.5	-
Operating profit / (loss)	(28.4)%	13.6%	14.5%	43.0	1.0	-
Net income	(38.6)%	9.0%	11.7%	47.6	2.7	-

Note: The figures related to 2020G in the above table have been extracted from the financial statements for the period ended on 20 July 2020G, please refer to sub-section 6.3.20 "**Correction of material error in revenue recognition (applicable to Welspun Pipes Coating Company)**" for more information.

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G of Welspun Pipes Coating Company, and management information.

2) Revenue

Welspun Pipes Coating Company generates its revenue mainly through the provision of the following pipe coating services:

- External three-Layers Polyethylene (3LPE): First, second and third layers consist of fusion-bonded Epoxy, copolymer adhesive and polyethylene respectively;
- Polypropylene Systems (3LPP): Fusion bonded epoxy primer, followed by a copolymer adhesive, and an outer layer of polypropylene; and
- Single and Dual Layer Fusion Bonded Epoxy (FBE/DFBE): Coating using Epoxy resin.

Revenue of coating services for spiral steel pipes spanned across local customers in the water and oil and gas sectors.

Welspun Pipes Coating Company operates a coating plant located in the Eastern Province in Dammam Second Industrial City, adjacent to the Company's spiral plant. Some of Welspun Pipes Coating Company's notable customers include Al Rashid Trading and Contracting Company, the Company and Saudi Arabian Oil Company.

Revenues for both bare and double-jointed pipes constituted 98.4% of Welspun Pipes Coating Company's total revenue in 2019G and 99.5% in 2020G. Subsequently, rising to 99.8%, from 1 April to 20 July 2020G, Welspun Pipes Coating Company recognized revenue from scrap sales related to one-time repairs to Welspun Corp. Limited, a Welspun Group company.

Revenues increased by 192.1% from SAR 47.0 million in 2019G to SAR 137.4 million in 2020G due to revenues generated from the Jubail 3 water transmission project, which was newly awarded by Al-Rashed Trading and Contracting Company. The quantity sold increased from 961.6 thousand square meters to 2.3 million square meters during the same period, driven by an increase in the quantity produced for the Jubail 3 water transmission project. Average revenue per square meter increased from SAR 49.5 to SAR 59.5 during the same period.

Revenues decreased by (71.3%) during the period from 1 April to 20 July 2020G, compared to the financial year ended on 31 March 2020G, where the revenue for the period amounted to SAR 39.4 million, due to the short period of comparison in addition to the stoppage of the factory during the period from April 2020G to June 2020G resulting from the Corona pandemic. The quantity sold decreased from 2.3 million square meters to 85.9 thousand square meters during the same period. Average revenue per square meter decreased from SAR 59.5 to SAR 53.8 during the same period.

3) Cost of revenue

Cost of revenue mainly include the cost of coating materials, employee salaries and benefits and equipment rental. The cost of revenue decreased at a CAGR of 23.2% from 2019G to the period from 1 April to 20 July 2020G. The cost of revenue increased by 104.1% from SAR 56.2 million in 2019G to SAR 114.7 million in 2020G due to the decrease in the cost of materials resulting from the decrease in the quantities sold in the period from 1 April to 20 July 2020G, in addition to the merger of Welspun Pipes Coating Company on 21 July 2020G, therefore, all changes in the accounts of the statement of profit or loss and other comprehensive income reflect the comparison of a full year ended on 31 March 2020G with a shorter comparison period (the period from 1 April to 20 July 2020G), and moreover during the period from 1 April to 20 July 2020G The factory stopped during the period from April 2020G until June 2020G due to the Corona pandemic.

4) Gross profit

Gross profit margin increased from SAR (9.2) million in 2019G to SAR 22.7 million in 2020G, which was mainly driven by the decrease in the cost of materials incurred as a percentage of revenue from 58.4% in 2019G to 51.8% in 2020G, as a result of the high profitability on the projects awarded during the year as well as the increase in the quantities produced, which led to the coverage of factory conversion costs incurred by Welspun Pipes Coating Company.

Gross profit margin decreased from SAR 22.7 million in 2020G to SAR 6.3 million in the period from 1 April to 20 July 2020G, and this was mainly driven by the merger of Welspun Pipes Coating Company on 21 July 2020G and therefore all changes in existing accounts in the statement of profit or loss and other comprehensive income expresses a comparison of a full year ended on 31 March 2020G with a shorter comparison period (the period from 1 April to 20 July 2020G). Moreover, during the period from 1 April to 20 July 2020G, the factory stopped during the period from April 2020G until June 2020G due to the Corona pandemic.

5) General and administrative expenses

General and administrative expenses mainly consist of employee salaries and benefits, rent and utilities fees. General and administrative expenses decreased by 7.7% from SAR 4.5 million in 2019G to SAR 4.2 million in 2020G, mainly due to a decrease in external freight expenses by SAR 0.3 million related to the fixed nature of the main costs such as salaries, employee expenses and depreciation listed under conversion costs for pipe coating.

General and administrative expenses decreased by 77.5% from SAR 4.2 million as in 2020G to SAR 1.0 million in the period from 1 April to 20 July 2020G, which was primarily driven by the merger of Welspun Pipes Coating Company on 21 July 2020G. Therefore, all changes in the items of the statement of profit or loss and other comprehensive income reflect a comparison of a full year ended on 31 March 2020G with a shorter comparison period (the period from 1 April to 20 July 2020G). Moreover, during the period from 1 April to 20 July 2020G, the factory stopped during the period from April 2020G until June 2020G due to the Corona pandemic.

6) Expected credit loss provision

Welspun Pipes Coating Company provided provisions for doubtful debts of SAR 0.2 million in 2019G, which were recorded under general and administrative expenses. After the implementation of IFRS 9, provisions for doubtful debts classified as expected credit loss provision.

7) Other operating income

Other operating income mainly related to sales of scrap, profits or losses generated from foreign exchange differences and other gains from sale of assets.

Other income decreased from SAR 0.6 million in 2019G to SAR 0.1 million in 2020G as Welspun Pipes Coating Company incurred less material scrap sales during the year.

Other operating income increased from SAR 0.1 million in 2020G to SAR 0.4 million in the period from 1 April to 20 July 2020G, as Welspun Pipes Coating Company reversed the impact of the amortization that was over recognized (SAR 381 thousand) during 2020G after adopting the IFRS 16 incorrectly.

8) Financing costs

Welspun Pipes Coating Company's financing costs mainly consisted of interest expense on shareholder loans. The financing costs decreased at a CAGR of (63.8%) from SAR 4.8 million in 2019G to SAR 0.6 million in July 2020G.

Financing costs decreased further by 1.4% from SAR 4.8 million in 2019G to SAR 4.7 million in 2020G, mainly due to the decrease in interest paid on the shareholder loan, which decreased from SAR 79.0 million at 31 March 2019G to SAR 49.0 million at 31 March 2020G. This was partially offset by an increase in financing costs on amortizing deferred expenses during the year from SAR 0.0 million in 2019G to SAR 0.5 million in 2020G.

Financing costs decreased by 86.7% from SAR 4.7 million in 2020G to SAR 0.6 million in the period from 1 April to 20 July 2020G, mainly due to the repayment of loans amounting to SAR 20 million in April 2020G.

9) Zakat expenses

Welspun Pipes Coating Company incurred zakat expenses of SAR 0.6 million during the period from 1 April to 20 July 2020G in line with the net income of SAR 14.0 million achieved during the year.

10) Income tax expense

Welspun Pipes Coating Company incurred an income tax expense of SAR 0.4 million during the period from 1 April to 20 July 2020G, in line with the profits generated during the year which was driven by the increase in the revenues generated. Welspun Pipes Coating Company is currently subject to an applicable 20.0% income tax with an effective contribution rate of 50.01% that is subject to income tax.

11) Profit (loss) for the year

Net income improved from SAR (18.1) million in 2019G to SAR 12.4 million in 2020G, as the Company's revenues increased by 192.1% in 2020G compared to 2019G. In addition, the Company achieved operational efficiency as general and administrative expenses decreased from SAR 4.5 million in 2019G to SAR 4.2 million in 2020G.

The net income decreased from SAR 12.4 million in 2020G to SAR 4.6 million in the period from 1 April to 20 July 2020G, mainly due to the merger of Welspun Pipes Coating Company on 21 July 2020G and therefore all changes in existing accounts in the statement of profit or loss and other comprehensive income expresses a comparison of a full year ended on 31 March 2020G with a shorter comparison period (the period from 1 April to 20 July 2020G). Moreover, during the period from 1 April to 20 July 2020G, the factory stopped during the period from April 2020G until June 2020G due to the Corona pandemic.

12) Revenue breakdown by sector

Table (6-65): Revenue breakdown by sector for the financial years 2019G, 2020G and the period from 1 April to 20 July 2020G:

Currency: SAR000	2019G	2020G	Period from 1 April to 20 July 2020G	Variance (2019G-2020G)	Variance March (2020G – July 2020G)
Water sector	14,892	112,774	26,274	625.7%	(76.7)%
Oil and gas sector	31,789	4,451	13,081	(86.0)%	193.9%
Scrap sales and others	260	20,171	95	7658.1%	(99.5)%
Total revenue	**47,031**	**137,398**	**39,449**	**192%**	**(71)%**
As a percentage of revenue				**Percentage points**	
Water sector	31.9%	82.1%	66.6%	50.2	(15.5)
Oil and gas sector	67.5%	3.2%	33.2%	(64.3)	30.0
Scrap sales and others	0.6%	14.7%	0.2%	14.1	(14.5)
Key performance indicators					
Quantity sold in water sector (000 sqm)	295	1,939	70	557.3%	(96.4)%

Currency: SAR000	2019G	2020G	Period from 1 April to 20 July 2020G	Variance (2019G-2020G)	Variance March (2020G – July 2020G)
Average selling price per metric ton for water sector (SAR)	51	58	373	13.7%	543.1%
Quantity sold in oil and gas sector (000 sqm)	660	95	15	(85.6)%	(84.2)%
Average selling price per metric ton for oil and gas sector (SAR)	48	47	844	(2.0)%	(1,695.8)%

Source: Management information

Table (6-66): Revenue breakdown by product for the financial years 2019G, 2020G and 2021G:

Currency: SAR000	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G - 2021G)
Coated pipes	20,365	132,708	26,024	551.6%	(80.4)%
Double-joint pipes	25,903	1,515	13,077	(94.2)%	763.2%
Scrap sales and others	115	475	348	313.0%	(26.7)%
Bare pipes	506	-	-	(100.0)%	-
Others	142	2,700	-	1801.4%	(100.0)%
Total revenue	**47,031**	**137,398**	**39,449**	**192.1%**	**(71.3)%**

Source: Management information

Table (6-67): Revenue breakdown major customers for the financial years 2019G, 2020G and 2021G:

Project name	Customer name	2019G	2020G	2021G
Jubail 3	Al-Rashid Trading & Contracting Company	-	92,343	20,219
King Khalid Military City	Mutlaq Al Ghowairi for Contracting	-	2,582	5,782
Haradh – Hawiya Satellite	Aramco	-	1,869	-
Neom City Pipeline	The Company	3,897	20,431	-
Jubail Riyadh	The Company	-	1,775	-
Marjan Downstream Pipeline	Aramco	-	896	-
Field Gas Compression Pipeline - Haradh	Aramco	197	140	2
Main Transmission Line - Rabigh	The Company	-	4	2
Shoaiba Pipeline - Mina	The Company	10,388	-	9
Others	Multiple customers	5,861	124	352
Total revenue from coated pipes		**20,365**	**120,164**	**26,366**
Marjan Field	Aramco	-	178	12,962
Pipeline Rehabilitation 2009	Aramco	2,012	143	116
Main Transmission Line - Rabigh	Aramco	23,891	667	-
Aramco general coating order	Aramco	-	725	-
Total double-joint pipes		**25,903**	**1,515**	**13,078**
Total bare / coated pipes and commissioning assignments for other companies		**46,268**	**121,679**	**39,444**

Note: Revenues for the year ended on 31 March 2021G, shown above, do not include revenues for all products.

Source: Management information

Welspun Pipes Coating Company provides coating services to clients in the water, oil and gas sectors. Order sizes are measured in square meters (sqm).

13) Water sector

Revenues from the water sector increased from SAR 14.9 million in 2019G to SAR 117.1 million in 2020G, as Welspun Pipes Coating Company delivered orders for the Neom City Pipeline (the Company was contracted and started in 2019G), in addition to starting the work on Jubail 3 water transmission project. The quantity of pipe coating sold increased from 295,000 square meters to 2.0 million square meters during the same period and the average revenue per square meter increased from SAR 51 to SAR 58.

The backlog of Welspun Pipes Coating Company related to water sector projects amounting to SAR 24.0 million (658 thousand square meters) as at 31 March 2021G, and they are expected to be delivered by 2022G.

14) Oil and gas sector

In 2020G, revenue from the oil and gas sector decreased to SAR 4.4 million compared to SAR 32.0 in 2019G (with a decrease in the amount of sales to 75 thousand square meters), as Welspun Pipes Coating Company focused its efforts on delivering large projects for the water sector clients.

Welspun Pipes Coating Company's backlog mainly related to oil and gas sector projects was SAR 22.0 million (or 1,048 thousand square meters) as of 31 March 2021G. It is expected to be delivered by 2022G.

15) Scrap and other

Scrap and other sales mainly comprised materials scrap sales and downgraded quality coated tubes. Scrap and other sales increased during 2020G by 7658.1%, to reach SAR 20.1 million.

16) Cost of revenue

Table (6-68): Cost of revenue breakdown for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G:

Currency: SAR000	2019G	2020G	Period from 1 April to 20 July 2020G	Variance (2019G-2020G)	Variance March (2020G – July 2020G)
Cost of materials	27,473	78,515	25,977	185.8%	(66.9)%
Salaries and benefits	8,252	8,331	2,541	1.0%	(69.5)%
Depreciation	8,511	10,016	2,169	17.7%	(78.3)%
Equipment rent	2,940	6,180	1,098	110.2%	(82.2)%
Utilities	1,856	4,580	709	146.8%	(84.5)%
Subcontractors' costs	4,081	2,902	-	(153.1)%	N/A
(Reversal) / provisions for inventory obsolescence	74	(39)	92	(28.9)%	235.9%
Other	3,012	4,198	536	39.4%	(87.2)%
Total cost of revenue	**56,198**	**114,683**	**33,121**	**104.1%**	**(71.1)%**
As a percentage of revenue				**Percentage points**	
Cost of materials	58.4%	57.1%	65.8%	(1.3)	8.7
Salaries and benefits	17.5%	6.1%	6.4%	(11.5)	0.4
Depreciation	18.1%	7.3%	5.5%	(10.8)	(1.8)
Equipment rent	6.3%	4.5%	2.8%	(1.8)	(1.7)
Utilities	3.9%	3.3%	1.8%	(0.6)	(1.5)
Subcontractors' costs	0.2%	(0.0)%	0.2%	(0.2)	0.3

Currency: SAR000	2019G	2020G	Period from 1 April to 20 July 2020G	Variance (2019G-2020G)	Variance March (2020G – July 2020G)
(Reversal) / provisions for inventory obsolescence	8.7%	2.1%	0.0%	(6.6)	(2.1)
Other	6.4%	3.1%	1.4%	(3.3)	(1.7)
Total cost of revenue	**119.5%**	**83.5%**	**84.0%**	**(36.0)**	**0.5**

Note: The figures relating to the year 2020G in the above table have been extracted from the financial statements for the period ended on 20 July 2020G, please refer to sub-section 6.3.20 "**Correction of material error in revenue recognition (applicable to Welspun Pipes Coating Company)**" for more information.

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G of Welspun Pipes Coating Company, and management information.

17) Cost of materials

Cost of materials primarily related to the procurement costs of coating materials such as epoxy powder, adhesive and high-density polyethylene. Welspun Pipes Coating Company procures its raw materials locally or through importing from various international sources. As of 2020G, 87.6% of the coating material consumptions of Welspun Pipes Coating Company was imported as compared to 12.4% was procured locally. The main supplier of coating materials is Borouge Company, which supplies the polyethylene material. Welspun Pipes Coating Company also purchases its epoxy lining locally from Jotun Powder Coatings Saudi Arabia.

The cost of materials decreased at a CAGR of (2.8%) from 2019G to the period from 1 April to 20 July 2020G. The cost of materials increased from SAR 27.5 million in 2019G to SAR 78.5 million in 2020G as Welspun Pipes Coating Company's sales increased from the pipe coating services issued by the Company in addition to other major clients, including Saudi Aramco.

The cost of materials continued to increase by 185.8% to reach SAR 87.5 million in 2020G, with revenue increasing by 192.1% mainly due to new projects including Jubail 3 water transmission Project and Neom City Pipeline Project.

The cost of materials, as a percentage of revenues, decreased from 58.4% in 2019G to 57.1% in 2020G and increased to 65.8% in the period from 1 April to 20 July 2020G, as the cost per metric square meter varied based on the implementation of different projects with different profit margins and different raw material purchase prices.

18) Salaries and benefits

Salaries and benefits increased at a CAGR of 44.5% from 2019G to July 2020G. Salaries and benefits decreased by 69.5% to reach SAR 2.5 million in the period from 1 April to 20 July 2020G, as Welspun Pipes Coating Company continued to pay for the additional work of its employees and other contractual work which increased by SAR 0.5 million and SAR 0.6 million respectively. This was a result of the increase in the volume of coatings from 961.6 thousand square meters to 2.1 million square meters during 2020G. As for the decrease in the period from 1 April to 20 July 2020G, this was mainly driven by the merger of Welspun Pipes Coating Company on 21 July 2020G and therefore all changes in the accounts of the statement of profit or loss and other comprehensive income express a comparison of a full year ended on 31 March 2020G with a shorter comparison period (the period from 1 April to 20 July 2020G). In addition, during the period from 1 April to 20 July 2020G, the factory stopped working resulting from the Corona pandemic. Furthermore, the Company reduced salaries during the period in which the factory was closed.

19) Depreciation

Depreciation expenses mainly related to Welspun Pipes Coating Company's coating plant and machinery as well as other electrical installations made within the plant premises. Depreciation expenses increased at a CAGR of 17.7% from 2019G to 2020G. This resulted in a relative increase in depreciation expenses from SAR 8.5 million during 2019G to SAR 10.0 million during 2020G.

Subsequently, depreciation expenses decreased to SAR 2.2 million in the period from 1 April to 20 July 2020G, for the aforementioned reasons. There were no material additions to property, plant and equipment on 31 March 2019G and 2020G, and the period from 1 April to 20 July 2020G.

20) Equipment rent

Equipment rental costs related to the equipment used by Welspun Pipes Coating Company to transfer the coated pipes from the plant to the storage warehouse. Equipment rental expenses increased from SAR 2.9 million in 2019G to SAR 6.2 million in 2020G and decreased to SAR 1.1 million in the period from 1 April to 20 July 2020G in line with the improvement in pipe coating business and thus the increase In the leased equipment used to transport pipes during the year 2020G.

As for the decrease in the period from 1 April to 20 July 2020G, this was mainly driven by the merger of Welspun Pipes Coating Company on 20 July 2020G and therefore all changes in the accounts of the statement of profit or loss and other comprehensive income express a comparison of a full year ended on 31 March 2020G with a shorter comparison period (the period from 1 April to 20 July 2020G). In addition, during the period from 1 April to 20 July 2020G, the factory stopped working resulting from the Corona pandemic.

21) Utilities

Utilities mainly comprise electricity charges of the factory, increased by146.8% from 2019G to 2020G to reach SAR 4.6 million in 2020G due to the increase in pipe coating products for Welspun Pipes Coating Company significantly and thus the increase in utilised facilities. As for the period from 1 April to 20 July 2020G, the facilities expenses amounted to SAR 0.7 million. This decrease was mainly driven by the merger of Welspun Pipes Coating Company on 21 July 2020G and therefore all changes in the accounts of the statement of profit or loss and other comprehensive income express a comparison of a full year ended on 31 March 2020G with a shorter comparison period (the period from 1 April to 20 July 2020G). In addition, during the period from 1 April to 20 July 2020G, the factory stopped working resulting from the Corona pandemic.

22) Subcontractors' costs

Welspun Pipes Coating Company receives contracts that include both manufacturing of pipes and pipe coating services, bare pipes for coating from third parties and from the Company. As Welspun Pipes Coating Company does not have pipe manufacturing facility, the work is subcontracted to the Company and the related charges are booked under this account. Subcontractor costs decreased by (153.1%) between 2019G and 2020G. Additionally, subcontractor costs decreased from SAR 4.1 million in 2019G to SAR 2.9 million in 2020G.

Sub-contractors' costs decreased by 334.1% to reach SAR 0.0 million in the period from 1 April to 20 July 2020G due to a decrease in the quantity of orders submitted to Welspun Pipes Coating Company for pipe coating services by the Company.

23) Reversal (provisions) for inventory obsolescence

The management recorded reversals in provisions in inventory obsolescence of SAR 0.1 million and SAR 0.0 million in 2019G and 2020G, which were due to a reversal of excess provisions formed during the previous year. The management recorded a provision of SAR 0.1 million in July 2020G. All provisions and reversal expenses recorded during the years related to the net realizable value for spare parts.

24) Other

Other costs of revenue mainly comprised of spare consumption costs, packaging materials in addition to other production-related consumables. Other costs of revenue increased from SAR 3.0 million in 2019G to SAR 4.2 million in 2020G and decreased to SAR 0.5 million in the period from 1 April to 20 July 2020G, driven by the increase in costs incurred for consumables and spare parts used during the year. Other costs of revenue continued to increase by 39.4% to reach SAR 4.2 million in 2020G as the increase in the production of packaging materials required additional consumption of consumables and spare parts, in addition to an increase in plant repair costs incurred amounting to SAR 0.6 million due to maintenance of machine parts. This was in line with the increase in production operations during 2020G.

As for the decrease in the period from 1 April to 20 July 2020G, this was mainly driven by the merger of Welspun Pipes Coating Company on 21 July 2020G and therefore all changes in the accounts of the statement of profit or loss and other comprehensive income express a comparison of a full year ended on 31 March 2020G with a shorter comparison period (the period from 1 April to 20 July 2020G). In addition, during the period from 1 April to 20 July 2020G, the factory stopped working resulting from the Corona pandemic.

25) General and administrative expenses

Table (6-69): General and administrative expenses breakdown for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G:

Currency: SAR000	2019G	2020G	Period from 1 April to 20 July 2020G	Variance (2019G-2020G)	Variance March (2020G – July 2020G)
Salaries and benefits	2,439	2,732	649	12.0%	(76.3)%
License fees	-	86	80	0.0%	(6.6)%
Depreciation	-	191	64	0.0%	(66.7)%
Professional fee	248	278	52	12.0%	(81.4)%
Repair	135	223	48	64.9%	(78.5)%
Rent and utilities	519	470	16	(9.5)%	(96.5)%
Other	1,165	181	106	(84.4)%	(41.5)%
Total general and administrative expenses	**4,506**	**4,161**	**1,014**	**(7.7)%**	**(75.6)%**
Currency: SAR000	**2019G**	**2020G**	**Period from 1 April to 20 July 2020G**	**Variance (2019G-2020G)**	**Variance March (2020G – July 2020G)**
As a percentage of revenue				**Percentage points**	
Salaries and benefits	5.2%	2.0%	1.6%	(3.2)	(0.3)
License fees	0.0%	0.1%	0.2%	0.1	0.1
Depreciation	0.0%	0.1%	0.2%	0.1	0.0
Professional fee	0.5%	0.2%	0.1%	(0.3)	(0.1)
Repair	0.3%	0.2%	0.1%	(0.1)	(0.0)
Rent and utilities	1.1%	0.3%	0.0%	(0.8)	(0.3)
Other	2.5%	0.1%	0.3%	(2.3)	0.1
Total general and administrative expenses	**9.6%**	**3.0%**	**2.6%**	**(6.6)**	**(0.5)**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G of Welspun Pipes Coating Company, and management information.

26) Salaries and benefits

Salaries and benefits related to Welspun Pipes Coating Company's administrative personnel salaries and related expenses, increased by 12.0% between 2019G and 2020G. Overtime costs paid continued to increase during the year. It decreased by (76.3%) in the period from 1 April to 20 July 2020G, and public and administrative salaries and benefits as a percentage of total revenues decreased on an annual basis from 5.2% in 2019G to 2.0% in 2020G and 1.6% in the period from 1 April to 20 July 2020G. As for the decrease in the period from 1 April to 20 July 2020G, this was mainly driven by the merger of Welspun Pipes Coating Company on 21 July 2020G and therefore all changes in the accounts of the statement of profit or loss and other comprehensive income express a comparison of a full year ended on 31 March 2020G with a shorter comparison period (the period from 1 April to 20 July 2020G). In addition, during the period from 1 April to 20 July 2020G, the factory stopped working resulting from the Corona pandemic. In addition to the Company reducing salaries during the factory downtime.

27) Rent and utilities

Rent and utilities mainly comprised of office lease rental expenses and telecommunication fees incurred by Welspun Pipes Coating Company's administrative team. Rent and utilities costs incurred remained mainly constant at SAR 0.5 million throughout 2019G, 2020G and SAR 0.0 million in the period from 1 April to 20 July 2020G.

28) Professional fee

Professional fees comprised consulting services for zakat and withholding tax returns and internal audit reviews. Professional fees increased from SAR 0.2 million in 2019G to SAR 0.3 million in 2020G resulting from increased recruitment fees in addition to an increase in internal audit fees and IFRS conversion fees. Professional fees increased by 12.1% to SAR 0.3 million in 2020G and SAR 0.1 million for the period from 1 April to 20 July 2020G, also related to an increase in professional fees paid for consultancy services provided for zakat and withholding returns.

29) Repair

Repair expenses primarily related to the site development and other maintenance charges incurred by the business. Repairs expenses increased by 64.9% to SAR 0.2 million in 2020G and SAR 0.0 million from 1 April to 20 July 2020G driven by higher maintenance charges incurred by the repair of the sand rows used to store the pipes due to erosion.

30) Other

Other expenses related to Welspun Pipes Coating Company's depreciation, licensing fees, insurance premiums paid, legal fees and audit remuneration fees. Other expenses decreased to SAR 0.2 million in 2020G and SAR 0.1 million in the period from 1 April to 20 July 2020G as the freight and cleaning expenses decreased.

31) Financing costs

Table (6-70): Financing costs breakdown for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G:

Currency: SAR000	2019G	2020G	Period from 1 April to 20 July 2020G	Variance (2019G-2020G)	Variance March (2020G – July 2020G)
Financing costs on a shareholders' loans	4,149	3,768	510	(9.2)%	(86.5)%
Financing costs on lease liabilities	-	122	39	100.0%	(68.0)%
Amortization of deferred expenses	-	514	-	100.0%	(100.0)%
Financing costs on long-term borrowings	468	-	-	(100.0)%	-
Others	157	302	76	92.4%	(74.8)%
Total financing costs	**4,774**	**4,704**	**625**	**(1.5)%**	**(86.7)%**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G of Welspun Pipes Coating Company, and management information.

Welspun Pipes Coating Company's financing costs consist primarily of interest expense on shareholder loans. The Company's financing costs decreased at a CAGR of (63.8%) from SAR 4.8 million in 2019G to SAR 0.6 million in July 2020G.

Financing costs decreased by 1.5% from SAR 4.8 million in 2019G to SAR 4.7 million in 2020G mainly due to the decrease in interest on shareholders' loan, which decreased from SAR 79.0 million on 31 March 2019G to SAR 49.0 million at 31 March 2020G. This was partially offset by an increase in financing costs on amortizing deferred expenses during the year from zero in 2019G to SAR 0.5 million in 2020G.

Financing costs decreased by 86.7% from SAR 4.7 million in 2020G to SAR 0.6 million in the period from 1 April to 20 July 2020G, mainly due to the repayment of loans amounting to SAR 20 million in April 2020G.

32) Zakat and income tax expenses

Table (6-71): Zakat and income tax expenses breakdown for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G:

Currency: SAR000	Zakat	Income tax	Total
As at 1 April 2020G	180	1,388	1,567
Provisions for the period	57	433	490
Payments	(180)	(1,387)	(1,567)
As at 31 March 2021G	57	433	490
As at 1 April 2019G	-	-	-
Provisions for the period	180	1,388	1,567
As at 31 March 2020G	**180**	**1,388**	**1,567**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G of Welspun Pipes Coating Company, and management information.

33) Zakat expenses

The Company did not incur any zakat expenses for the financial year ended on 31 March 2019G, as the Company achieved a net loss of SAR 18.1 million.

Welspun Pipes Coating Company incurred zakat expenses of SAR 0.6 million during the period from 1 April to 20 July 2020G, in line with the net income of SAR 14.0 million achieved during the period.

34) Income tax expenses

The Company did not bear any expenses for income tax for the financial year ended 31 March 2019G, as the Company achieved a net loss of SAR 18.1 million.

Welspun Pipes Coating Company incurred income tax expenses of SAR 0.4 million in the period from 1 April to 20 July 2020G, in line with the profits achieved during the year resulting from the increase in revenues achieved. Welspun Pipes Coating Company is currently subject to income tax at the rate of 20.0% applicable with an effective ownership taxable rate of 50.01%.

B. Balance sheet of Welspun Pipes Coating Company

Table (6-72): Statement of financial position as at 31 March 2018G, 31 March 2019G and 20 July 2020G:

Currency: SAR000	31 March 2019G	31 March 2020G	20 July 2020G
Property, plant and equipment	87,639	-	-
Trade and other receivables (prepaid expenses)	-	-	-
Total non-current assets	**87,639**	**-**	**-**
Cash and cash equivalents	249	1,660	27
Trade and other receivables	4,536	23,777	24,113
Inventory	10,848	17,034	13,931
Property, plant and equipment	-	79,735	77,788
Right-of-use assets	-	2,546	2,469
Total current assets	**15,633**	**124,752**	**118,328**
Total assets	**103,272**	**124,752**	**118,328**
Share capital	33,766	33,766	33,766
Retained earnings (accumulated losses)	(90,619)	(78,538)	(74,421)
Total equity	**(56,854)**	**(44,772)**	**(40,655)**

Currency: SAR000	31 March 2019G	31 March 2020G	20 July 2020G
Long-term borrowings	-	-	-
Long-term loans from shareholders	79,036	-	-
Employee benefit obligations	2,215	-	-
Total non-current liabilities	**81,251**	**-**	**-**
Long-term borrowings	3,263	-	-
Long-term loans from shareholders	-	49,678	30,188
Trade and other payables	75,612	112,878	122,191
Employee benefit obligations	-	2,804	3,476
Zakat and income tax payable	-	1,567	490,358
Lease liabilities	-	2,599	2,638
Total current liabilities	78,875	169,524	158,983
Total liabilities	**160,126**	**169,524**	**158,983**
Total equity and liabilities	**103,272**	**124,752**	**118,328**
Key Performance Indicators			
Return on asset	(17.6)%	9.9%	3. 9%
Total assets to total liabilities	64.5%	73.6%	74.4%

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G of Welspun Pipes Coating Company.

1) Non-current assets

Table (6-73): Non-current assets breakdown as at 31 March 2019G, 31 March 2020G and 20 July 2020G:

Currency: SAR000	31 March 2019G	31 March 2020G	20 July 2020G
Property, plant and equipment	87,639	-	-
Trade and other receivables (prepaid expenses) *	-	-	-
Total non-current assets	**87,639**	**-**	**-**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G of Welspun Pipes Coating Company, and management information.

*See to table 6.79 "Trade and other receivables as at 31 March 2019G and 2020G and 20 July 2020G" for details on Welspun Pipes Coating Company's long term prepaid expenses.

2) Property, plant and equipment

Table (6-74): Property, plant and equipment balance as at 31 March 2019G, 31 March 2020G and 20 July 2020G:

Currency: SAR000	31 March 2019G	31 March 2020G	20 July 2020G
Buildings and leasehold improvements	24,291	24,291	24,291
Plant and machinery	128,044	128,243	128,243
Furniture, fixtures and office equipment	541	549	559
Vehicles	-	-	-

Currency: SAR000	31 March 2019G	31 March 2020G	20 July 2020G
Capital work in progress	-	180	750
Total cost of property, plant and equipment	**152,875**	**153,263**	**153,843**
Buildings and leasehold improvements	(9,524)	(10,738)	(11,114)
Plant and machinery	(55,203)	(62,261)	(64,376)
Furniture, fixtures and office equipment	(510)	(529)	(535)
Vehicles	-	-	-
Accumulated depreciation of property, plant and equipment as at 31 March	**(65,236)**	**(73,528)**	**(76,055)**
Net book value of property, plant and equipment	**87,639**	***79,735**	**77,789**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G of Welspun Pipes Coating Company, and management information.

Note: *As at 31 March 2020G and 20 July 2020G, property, plant and equipment were classified in current assets

Property, plant and equipment consist mainly of coating plant and machinery, the office building and furniture and fixtures and other capital work-in-progress. Property, plant and equipment maintenance expenses are considered as operating expenses in nature and are recognized in the income statement of the Company. The cost of property, plant and equipment are depreciated on a straight-line basis over the following useful lives of the assets:

3) Useful lives of property, plant and equipment by asset

Table (6-75): Useful lives of property, plant and equipment by asset as at 31 March 2019G, 31 March 2020G and 20 July 2020G:

	Number of years
Buildings and leasehold improvements	10 – 20
Plant and machinery	2 – 20
Furniture, fixtures and office equipment	2 – 5
Vehicles	3 – 5

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G of Welspun Pipes Coating Company.

The plant and machinery include the coating manufacturing plant located in the Dammam 2nd Industrial City in Dammam, Kingdom of Saudi Arabia next to the Company's spiral plant. Key machinery and equipment include the equipment used for the shot blasting process, material coating machinery which are phases of Welspun Pipes Coating Company's coating process.

As at 31 March 2020G, Welspun Pipes Coating Company's management performed an impairment assessment covering all property, plant and equipment and no impairment was required. The value-in-use of the assets was based on a discounted cash flow analysis based on most recent five-years business plan prepared by Welspun Pipes Coating Company's management.

Welspun Pipes Coating Company's property, plant and equipment balance of SAR 79.7 million as at 31 March 2020G and SAR 77.8 as at 20 July 2020G were reclassified to current assets as a result of the merger between both the Company and Welspun Pipes Coating Company's operations and based on the fact that the audited financial statements of Welspun Pipes Coating Company for the period from 1 April to 20 July 2020G have been prepared on a non-going concern basis.

4) Property, plant and equipment

Table (6-76): Breakdown of property, plant and equipment as at 31 March 2019G, 31 March 2020G and 20 July 2020G:

Currency: SAR000	31 March 2019G	31 March 2020G	20 July 2020G
Plant and machinery	128,044	128,243	128,243
Buildings and leasehold improvements	24,291	24,291	24,291
Furniture, fixtures and office equipment	541	549	599
Vehicles	-	-	-
Capital work in progress	-	180	750
Gross book value of property, plant and equipment	**152,875**	**153,263**	**153,843**
Net additions / (disposals)			
Plant and machinery	59	199	-
Buildings and leasehold improvements	-	-	-
Furniture, fixtures, and office equipment	32	8	8
Vehicles	(125)	-	-
Capital work-in-progress	-	180	570
Cost of net additions / (disposals) of property, plant and equipment	**(35)**	**387**	**580**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G of Welspun Pipes Coating Company.

5) Plant and machinery:

Mainly included the fusion bonded epoxy application system of SAR 9.8 million, Polyethylene /Polypropylene application system of SAR 9.3 million, external shot blasting machinery of SAR 7.6 million, coating inlet/outlet and quenching conveyors, electrical panels, air compressor, Saudi Electricity Company electricity equipment, end cleaning machinery, eleven generators, adhesive application system, in addition to other conveyor belts, cranes, processing systems, pumps and other miscellaneous tools and spares related to the coating production process.

The addition of SAR 0.2 million in 2020G mainly related to an automatic gas pycnometer, an air jet sieving unit, and a welding machine.

6) Buildings and leasehold improvements:

Buildings and leasehold improvements comprised of the coating plant building, the warehouse building, the administrative building, in addition to the building steel structure, other land improvements and miscellaneous assets such as the electricity room, pipe systems and a water storage tank.

7) Furniture, fixtures and office equipment:

Furniture, fixtures and office equipment mainly comprised of office furniture, display board, cameras, computer and computer peripherals, air conditioning units and other miscellaneous items.

Disposals to Welspun Pipes Coating Company's furniture, fixtures and office equipment as at 31 March 2019G amounted to SAR 41.8 thousand related to disposals of office chairs, industrial lockers in addition to air conditioning units offset by an addition of an office printer (computer peripheral) amounted to SAR 9.4 thousand, which led to net disposals of SAR 32 thousand. Additions in 2019G include water coolers and CCTV camera installation. The additions in 2020G include hand punching machines and an air conditioning unit.

8) Vehicles

Welspun Pipes Coating Company's Vehicles balance of SAR 0.1 million as at 31 March 2019G comprised of two company cars.

9) Capital work-in-progress

Capital work-in-progress of SAR 0.2 million as at 31 March 2020G related to the shed repairs of Welspun Pipes Coating Company's coating plant as well as the installation of a dust collector system.

10) Current assets

Table (6-77): Current assets breakdown as at 31 March 2019G, 31 March 2020G and 20 July 2020G:

Currency: SAR000	31 March 2019G	31 March 2020G	20 July 2020G
Cash and cash equivalents	249	1,660	27
Trade and other receivables	4,536	23,777	24,113
Inventories	10,848	17,034	13,931
Property, plant and equipment	-	79,735	77,788
Right-of-use assets	-	2,546	2,469
Total current assets	**15,633**	**124,752**	**118,328**
Key Performance Indicators			
Days sales outstanding (with related parties)	7	13	72
Days sales outstanding (without related parties)	10	15	72
Average repayment period in days (with related parties)	242	395	642
Average repayment period in days (without related parties)	53	67	42
Average days inventory outstanding	70	63	70

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G of Welspun Pipes Coating Company, and management information.

11) Cash and cash equivalents

Table (6-78): Cash and cash equivalents balance as at 31 March 2019G, 31 March 2020G and 20 July 2020G:

Currency: SAR000	31 March 2019G	31 March 2020G	20 July 2020G
Cash in hand	50	27	27
Cash at bank	199	1,634	-
Total cash and cash equivalents	**249**	**1,661**	**27**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G of Welspun Pipes Coating Company.

Cash and cash equivalents increased by 567.1% from SAR 0.2 million as at 31 March 2019G to SAR 1.8 million as at 31 March 2020G in line with an increase in operating cash flows from SAR 6.7 million in 2019G to 35.2 million in 2020G driven by growth in Welspun Pipes Coating Company's sales during the year. This was partially offset by an increase in cash outflows from financing activities due to the repayments of SAR 30.0 million of long-term loans obtained shareholders. The cash at the bank decreased from SAR 1.6 million on 31 March 2020G to SAR 0 million on 20 July 2020G due to the merger of Welspun Pipes Coating Company, as well as the Company's payment and collection on behalf of Welspun Pipes Coating Company.

12) Trade and other receivables

Table (6-79): Trade and other receivables balance as at 31 March 2019G, 31 March 2020G and 20 July 2020G:

Currency: SAR000	31 March 2019G	31 March 2020G	20 July 2020G
Trade receivables	1,091	4,487	10,298
Less: ECL provision	**(243)**	**(243)**	**(243)**
Assets recognized from costs to fulfil a contract	1,510	15,280	12,747
Advances to suppliers	1,000	3,484	658
Prepaid expenses	622	524	224
Less: non-current portion of prepaid expenses	-	-	-
Advances to employees	156	192	376
Related party	53	53	53
Other	347	-	-
Total trade and other receivables	**4,536**	**23,777**	**24,113**
Key Performance Indicator			
Days sales outstanding (with related parties)	7	11	67
Days sales outstanding (without related parties)	10	11	67

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G of Welspun Pipes Coating Company, and management information.

13) Trade receivables ageing

Table (6-80): Trade and other receivables ageing as at 31 March 2019G, 31 March 2020G and 20 July 2020G:

Currency: SAR000	31 March 2019G	31 March 2020G	20 July 2020G
Current up to 90 days	125	3,005	6,996
91 – 180 days past due	722	152	1,933
181 – 365 days past due	-	1,052	-
366 – 730 days past due	-	277	1,369
More than 730 days	243	-	-
Total receivables	**1,091**	**4,487**	**10,298**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G of Welspun Pipes Coating Company.

14) Movement in ECL provision

Table (6-81): Movement in expected credit loss provision as at 31 March 2019G, 31 March 2020G and 20 July 2020G:

Currency: SAR000	31 March 2019G	31 March 2020G	20 July 2020G
As at 1 April	-	243	243
ECL provision	243	-	-
At 31 March / 20 July	**243**	**243**	**243**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G of Welspun Pipes Coating Company.

15) Trade receivables

Trade receivables increased by 311.3% from SAR 1.1 million as at 31 March 2019G to SAR 4.5 million as at 31 March 2020G, due to an increase in receivables from projects awarded during the year from its customers such as Saudi Arabian Oil Company and Al Rashid Trading and Contracting Company.

Welspun Pipes Coating Company apply a specified credit policy for collection of revenues from its customers as credit periods vary from one customer to another.

16) ECL provision

The ECL provision of SAR 0.2 million as at 31 March 2019G was recognized for the amount outstanding for more than 360 days due from Saudi Aramco Company. The provision was updated based on the same policy in subsequent periods.

17) Assets recognized from costs to fulfil a contract

Assets recognized from costs to fulfil a contract mainly related to the cost of production operations. Assets recognized from costs balance increased by 911.9% from SAR 1.5 million as at 31 March 2019G to SAR 15.3 million as at 31 March 2020G due to the closing stock balance accounted for at each year-end which varies according to the order deliveries made at each year-end – there is no direct impact to the balance from the quantity and amount of sales generated.

18) Advances to suppliers

Advances to suppliers increased by 248.4% from SAR 1.0 million as at 31 March 2019G to SAR 3.5 million as at 31 March 2020G due to an increase in down payments made to the Borouge Company by the Welspun Pipes Coating Company, as the invoices were not recorded to the Borouge Company earlier due to a defect in the supplier's accounting system.

19) Prepaid expenses

Prepaid expenses comprised of prepaid medical and property insurance fees and other deposits made by Welspun Pipes Coating Company. Prepaid expenses decreased by 15.8% to SAR 0.5 million as at 31 March 2020G as the deposit to Saudi Electricity Company was fully amortized in October 2019G. Prepaid expenses decreased by a further 57.0% to SAR 0.2 million as of 20 July 2020G.

20) Advances to employees

Advances to employees mainly comprised of loans to employees and prepaid house rental expenses on behalf of the employees. Advances to employees increased by 23.1% from SAR 0.2 million during the year ended 31 March 2019G to SAR 0.2 million as at the year ended 31 March 2020G, and SAR 0.4 million as at 20 July 2020G.

21) Related party

Related party receivables balance, which related to receivables from Aziz European Pipe Factory which remained constant at SAR 0.1 million year-on-year as at 31 March 2019G, 2020G and 20 July 2020G.

22) Inventories

Table (6-82): Inventories balance as at 31 March 2019G, 31 March 2020G and 20 July 2020G:

Currency: SAR000	31 March 2019G	31 March 2020G	20 July 2020G
Consumables	7,841	13,489	10,332
Spare parts and supplies, not held for sale	4,126	4,624	4,770
Less: provision for inventory obsolescence	(1,119)	(1,079)	(1,171)
Total inventories	**10,848**	**17,034**	**13,931**
Key Performance Indicators			
Average days inventory outstanding	70	63	70

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G of Welspun Pipes Coating Company, and management information.

Inventory balance mainly comprised of coating consumables stock and spare parts and supplies.

Net inventory increased by 57.0% to SAR 17.0 million as at 31 March 2020G as Welspun Pipes Coating Company's management procured further coating consumables in-line with the increase in coating production for new contracts during the year.

Welspun Pipes Coating Company recorded SAR 1.1 million, SAR 1.1 million and SAR 1.2 million in provisions for inventory obsolescence as at 31 March 2019G, 2020G and 20 July 2020G respectively, which mainly comprised of inventory spare parts.

The provision on inventory is made based on 100.0% provision on obsolete inventory of spare parts and 50.0% provision on spare parts aged more than 360 days.

23) Property, plant and equipment (current)

See table 6-74 "Property, plant and equipment balance as at 31 March 2019G, 2020G, and 20 July 2020G" for further details on Welspun Pipes Coating Company's property, plant and equipment.

24) Right-of-use of assets (including depreciation)

Table (6-83): Right-of-use assets as at 20 July 2020G:

Currency: SAR000	20 July 2020G
Land	2,469
Total non-current liabilities	**2,469**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G of Welspun Pipes Coating Company.

Welspun Pipes Coating Company has leased assets comprising of a land valued at SAR 2.5 million in which the coating plant is located within Dammam 2nd Industrial City.

Rental contracts are typically made for a fixed period and an extension option is considered where Welspun Pipes Coating Company's management is reasonably certain to exercise. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

As of 31 March 2020G, Welspun Pipes Coating Company does not have any short-term or low value leases.

25) Non-current liabilities

Table (6-84): Non-current liabilities as at 31 March 2019G, 31 March 2020G and 20 July 2020G:

Currency: SAR000	31 March 2019G	31 March 2020G	20 July 2020G
Long-term borrowings	-	-	-
Long-term loans from shareholders	79,036	-	-
Employee benefit obligations	2,215	-	-
Total non-current liabilities	**81,251**	**-**	**-**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G of Welspun Pipes Coating Company.

26) Long-term borrowings

The long-term borrowings under Welspun Pipes Coating Company comprised one loan obtained from SIDF amounting to SAR 40.0 million to finance the construction of Welspun Pipes Coating Company's coating plant facilities. The outstanding balance of the loan was fully repaid during 2020G.

27) Long-term loans from shareholders

Table (6-85): Long-term loans from shareholders breakdown as at 31 March 2019G, 31 March 2020G and 20 July 2020G:

Currency: SAR000	31 March 2019G	31 March 2020G	20 July 2020G
Welspun Mauritius Holdings Company Ltd.	39,023	24,023	14,023
Aziz Company for Contracting Industrial Investment	-	13,757	6,756
Vision International Investments Co.	-	11,256	8,257
Arabian Pipeline Projects Company	40,013	-	-
Total long-term shareholder loans	**79,036**	**49,036**	**29,036**

Note: Total shareholder loans were classified to current liabilities as at 31 March 2020G as a result of the merger transaction.

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G of Welspun Pipes Coating Company.

Welspun Pipes Coating Company obtained loans from shareholders amounting to SAR 79.0 million in 2020G to finance the requirements of the working capital, Welspun Pipes Coating Company repaid a sum of SAR 30.0 million on its shareholder loans during the year. The loans are due to the shareholders in 2022G.

The outstanding balance of shareholder loan obtained from Arabian Pipeline Projects Company at 31 March 2019G was reassigned across Aziz Company for Contracting and Industrial Investment and Vision International Investment Company at 31 March 2020G, in addition to a decline in outstanding loan balances due to repayments of SAR 30.0 million made during the year. The outstanding balances of SAR 13.8 million and SAR 11.3 million have been split between Aziz Company for Contracting Industrial Investment and Vision International Investments Company, respectively, as the previous shareholding percentage of Arabian Pipeline Projects Company of 45.0% was transferred to the aforementioned shareholders with a split in shareholding percentage by 28.5% and 16.5%, respectively.

28) Employee benefit obligations

Table (6-86): Employee benefits obligations as at 31 March 2019G, 31 March 2020G and 20 July 2020G:

Currency: SAR000	31 March 2019G	31 March 2020G	20 July 2020G
1 April	**1,642**	**2,215**	**2,804**
Current service cost	301	351	132
Interest expense	80	91	33
Payments	(72)	(168)	-
Remeasurements	264	316	507
31 March	**2,215**	**2,804**	**3,478**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G of Welspun Pipes Coating Company.

Welspun Pipes Coating Company applies a defined benefit plan that is in line with the requirements of the Kingdom of Saudi Arabia's labour law. The amounts paid at the end of the employees' service are calculated according to the plan on the basis of their salaries and allowances and the number of years of their services accumulated on the date of their end of service, as indicated in the conditions stipulated in the labour law in the Kingdom of Saudi Arabia. Employee end of service benefit plans are unfunded, and benefit payment obligations are met as they fall due upon termination of work. In view of the Welspun Pipes Coating Company's application of IFRS 19, it has become a requirement to use the actuarial valuation of provisions for benefits payable to employees. An independent actuarial expert performed the latest assessment of the employee benefit liability under the projected unit of credit method as at 31 March 2020G.

Employees' end of service benefits obligations increased by 26.6% to SAR 2.8 million as at 31 March 2020G and increased by 2.0% to SAR 3.4 million on 20 July 2020G.

The increases in employee benefit obligations are in line with the change in the Company's discount rate assumption from 4.3% in 2019G to 3.5% in 2020G and 2.3% in the period 1 April to 20 July 2020G.

29) Current liabilities

Table (6-87): Current liabilities breakdown as at 31 March 2019G, 31 March 2020G and 20 July 2020G:

Currency: SAR000	31 March 2019G	31 March 2020G	20 July 2020G
Long-term borrowings	3,263	-	-
Long-term loans from shareholders	-	49,036	30,188
Trade and other payables	75,612	112,876	122,191
Employee benefit obligations	-	2,804	3,476
Accrued zakat and income tax	-	1,567	490
Lease liabilities	-	2,599	2,627
Total current liabilities	**78,875**	**169,524**	**158,983**
Average days payable outstanding (with related parties)	242	395	405
Average days payable outstanding (without related parties)	53	67	41

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G of Welspun Pipes Coating Company.

30) Long-term borrowings (current)

The long-term borrowings balance of SAR 3.3 million as at 31 March 2019G referred to the current portion of Welspun Pipes Coating Company's long-term borrowing obtained from SIDF.

31) Long-term loans from shareholders

The long-term loans from shareholders balance of SAR 49.0 million as at 31 March 2020G referred to the current due portion of Welspun Pipes Coating Company's long-term shareholder loans. See table 6.61 "Distribution of long-term loans from shareholders as at 31 March 2019G, 2020G, and 20 July 2020G" and the relevant analysis for further details on Welspun Pipes Coating Company's long-term borrowings from shareholders.

32) Trade and other payables

Table (6-88): Trade and other payables breakdown as at 31 March 2019G, 31 March 2020G and 20 July 2020G:

Currency: SAR000	31 March 2019G	31 March 2020G	20 July 2020G
Related parties	29,881	89,857	109,860
Trade payables	7,415	17,827	7,113
Accrued expenses	1,116	2,231	1,328
Value added tax	-	2,073	1,335
Salaries and benefits	647	818	933
Accrued financing costs related to shareholder loan	36,507	-	-
Advances from customers – Scrap purchase	46	70	1,626
Total trade and other payables	**75,612**	**112,876**	**122,191**
Key Performance Indicators			
Average days payable (with related parties)	242	395	405
Average days payable (without related parties)	53	67	41

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G of Welspun Pipes Coating Company, and management information.

33) Related party transactions

Table (6-89): Related party transactions throughout years ended 31 March 2019G, 31 March 2020G and 20 July 2020G:

Currency: SAR000	31 March 2019G	31 March 2020G	20 July 2020G
The Company	27,492	89,825	-
Arabian Pipeline Projects Company	532	32	-
Welspun Corp Limited	1,036	-	-
Aziz Company for Contracting and Industrial Investment	279	-	-
Vision International Investment Company	279	-	-
Welspun Mauritius Holding Limited	250	-	-
Mohawareen Industrial Services	13	-	-
Total due to related parties	**29,881**	**89,857**	**-**
Aziz European Pipe Factory	53	53	-
Total due from related parties	**53**	**53**	**-**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G of Welspun Pipes Coating Company.

34) Related parties

Related party payables increased by 200.7% from SAR 29.9 million as at 31 March 2019G to SAR 89.9 million as at 31 March 2020G due to additional trade payables to the Company as a result of additional outsourced work and payments made by the Company on behalf of Welspun Pipes Coating Company. Due to related parties Welspun Corp Limited, Aziz Company for Contracting and Industrial Investment, Vision International Investment Company, Welspun Mauritius Holding Limited and Mohawareen Industrial Services declined from SAR 1.9 million combined to SAR 0.0 million as all the Company's guarantee commissions were paid by the shareholders of Welspun Pipes Coating Company. Payables to related parties increased by 22.3% from SAR 89.9 million as at 31 March 2020G to SAR 109.9 million as at 20 July 2020G as a result of the Company's payment on behalf of Welspun Pipes Coating Company in addition to the accumulation of accrued expenses for loans granted by shareholders.

35) Trade payables

Trade payables comprises mainly of payables to consumable materials suppliers, both domestic and international in addition to custom duty clearing expenses. Trade payables increased by 140.4% from SAR 7.4 million as of 31 March 2019G to SAR 17.8 million as at 31 March 2020G as Welspun Pipes Coating Company procured additional consumables from both local and international suppliers, in line with the improvement in the production and sales for the year then subsequently decreased to SAR 7.1 million as at 20 July 2020G.

36) Accrued expenses

Accrued expenses, related to equipment rental expenses, contract labour expenses and prepaid electricity expenses decreased. Accrued expenses increased by 99.9% to SAR 2.2 million as at 31 March 2020G in line with the increase in the commercial activity of Welspun Pipes Coating Company then subsequently decreased by SAR 1.3 million as at 20 July 2020G as a result of the factory shutdown resulting from the pandemic.

37) Value added tax payable

Value added tax (VAT) payable balance of SAR 1.3 million was incurred as at 20 July 2020G, in line with the generated revenues. The VAT balance is shown as the net value from the debit and credit tax balances.

38) Salaries and benefits payable

Salaries and benefits payable mainly comprised of accrued vacation payroll and airfare expenses incurred by the Company for its employees. Salaries and benefits payable remained relatively stable at SAR 0.6 million as at 31 March 2019G and SAR 0.8 million as at 31 March 2020G and increased by 14.1% to SAR 0.9 million as of 20 July 2020G, due to the increase in travel ticket expenses for employees.

39) Accrued financing costs related to shareholder loan

Accrued financing costs related to shareholder loans amounted to SAR 36.5 million as at 31 March 2019G As at 31 March 2020G and 20 July 2020G, the financing costs decreased to SAR 0.0 million as Welspun Pipes Coating Company paid off a portion of the outstanding balance to its shareholders.

40) Employee benefit obligations (current)

The employee benefit obligations of SAR 3.5 million as at 31 July 2020G refers to the current due portion of Welspun Pipes Coating Company's end of service benefits to its employees. See table 6.86 "Employee benefit obligations as at 31 March 2019G, 31 March 2020G and 20 July 2020G" for further details on Welspun Pipes Coating Company's Employee benefit obligations.

41) Zakat and income tax payable

Welspun Pipes Coating Company incurred net zakat and income tax payable balance of SAR 0.5 million as at 20 July 2020G, which comprised of SAR 0.2 million zakat payable and SAR 1.4 million in income tax payable.

42) Lease liabilities (current)

Table (6-90): Lease liabilities as at 31 March 2019G, 31 March 2020G and 20 July 2020G:

Currency: SAR000	31 March 2019G	31 March 2020G	20 July 2020G
Future minimum lease payments	-	3,600	3,600
Less: repayment of minimum lease payments	-	(300)	(300)
Less: future financing costs not yet due	-	(701)	(662)
Net present value of minimum lease payment	**-**	**2,599**	**2,638**
Less: current portion presented under current liabilities	-	2,599	2,638
Non-current portion of lease liabilities	**-**	**-**	**-**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G of Welspun Pipes Coating Company.

Welspun Pipes Coating Company recognized the long-term leases as assets and corresponding liability was also recognized after adopting IFRS 16 from 1 April 2019G.

Based on an assessment, Welspun Pipes Coating Company recognized both a right of use of asset and a corresponding liability of SAR 2.8 million at 1 April 2019G. Depreciation of SAR 0.2 million was charged during the financial year ended 2020G making the closing value of right-of-use assets SAR 2.6 million.

The leased asset included leases of land on which office building is constructed from Saudi Industrial Property Authority amounting to SAR 0.3 million per annum.

43) Total equity

Table (6-91): Total equity as at 31 March 2019G, 31 March 2020G and 20 July 2020G:

Currency: SAR000	31 March 2019G	31 March 2020G	20 July 2020G
Share capital	33,766	33,766	33,766
Accumulated losses	(90,619)	(78,538)	(74,421)
Total equity	**(56,854)**	**(44,772)**	**(40,655)**
Key Performance Indicator			
Return on equity	31.9%	31.2%	11.5%

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G of Welspun Pipes Coating Company.

44) Share capital

Table (6-92): Total share capital as at the financial years ended 31 March 2019G, 31 March 2020G and 20 July 2020G:

Currency: SAR000	Country of incorporation	31 March 2019G	31 March 2020G	20 July 2020G
Welspun Mauritius Holdings Limited	Mauritius	50.01%	50.01%	50.01%
Aziz Company for Contracting and Industrial Investment	Saudi Arabia	-	28.50%	28.50%
Vision International Investment Company	Saudi Arabia	-	16.50%	16.50%
Arabian Pipeline Projects Company	Saudi Arabia	45.00%	-	-
Mohawareen Industrial Services	Saudi Arabia	4.99%	4.99%	4.99%
Total		**100.0%**	**100.0%**	**100.0%**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G of Welspun Pipes Coating Company.

Welspun Pipes Coating Company's issued share capital consists of authorized and paid-up capital of SAR 33.8 million, which is divided into SAR 1 per share. On 04/03/141H (corresponding to 1 November 2019G), Welspun Pipes Coating Company changed its shareholding structure and, accordingly, Welspun Pipes Coating Company amended its Articles of Association and foreign investment license issued by The Ministry of Investment to reflect the change in its shareholders equity.

45) Accumulated losses

Accumulated losses decreased from SAR 78.5 million as at 31 March 2020G to SAR 74.4 million as at 20 July 2020G as Welspun Pipes Coating Company generated profits for the year amounting to SAR 12.5 million and SAR 4.6 million.

46) Cashflow statement of Welspun Pipes Coating Company

Table (6-93): Statement of cash flows for the financial years ended 31 March 2019G, 31 March 2020G and 20 July 2020G:

Currency: SAR000	31 March 2019G	31 March 2020G	20 July 2020G
Profit (loss) before zakat and income tax	**(18,140)**	**13,965**	**5,114**
Adjustments for:			
Depreciation and amortization	8,456	8,523	2,604
Gain from disposal of property and equipment	(38)	-	-
(Reversal) provision for inventory obsolescence	74	(39)	92
Expected credit loss provision	243	-	-
Financing costs	4,774	4,705	625
Employee benefit obligations	381	441	165
Changes in operating assets and liabilities:			
Decrease (increase) in inventories	(4,802)	(6,146)	3,011
Increase in trade and other receivables	11,323	(19,241)	(337)
Decrease (increase) in trade and other payables	5,109	73,771	9,315
Cash generated in operations	**7,379**	**75,978**	**20,589**
Employee benefit obligations paid	(72)	(168)	-
Zakat and taxes paid	-	-	(1,567)

Currency: SAR000	31 March 2019G	31 March 2020G	20 July 2020G
Financing costs paid	(624)	(40,570)	(76)
Net cash inflow from operating activities	**6,682**	**35,241**	**18,946**
Payments for purchase of property and equipment	(91)	(387)	(580)
Proceeds from disposal of property and equipment	38	-	-
Net cash utilized in investing activities	**(53)**	**(387)**	**(580)**
Repayments of long-term borrowings	(8,223)	(3,263)	-
Repayments of long-term loans from shareholders	-	(30,000)	(20,000)
Repayments of lease liabilities	-	(178)	-
Net cash utilized in financing activities	**(8,223)**	**(33,442)**	**(20,000)**
Net change in cash and cash equivalents	(1,594)	1,412	(1,634)
Cash and cash equivalents at beginning of period	1,843	249	1,661
Cash and cash equivalents at end of period	**249**	**1,661**	**27**

Source: Audited financial statements for the financial years ended 31 March 2019G, 2020G and the period from 1 April to 20 July 2020G of Welspun Pipes Coating Company.

47) Cashflows from operating activities

Cash flows from operating activities increased to SAR 35.2 million during 2020G compared to SAR 6.7 million in 2019G, primarily driven by the increase in the net profits of Welspun Pipes Coating Company and the positive impact of working capital changes during the year, which amounted to SAR 48.4 million. Cash flows from operating activities decreased to SAR 18.9 million at 20 July 2020G, as a result of the merger.

48) Cashflows from investing activities

Cash outflows from investing activities increased to SAR 0.1 million in 2019G driven by minimal additions of machinery and office equipment to property, plant and equipment during the year. During 2020G, the capital expenditure spending increased as cash outflows from investing activities increased to SAR 0.4 million as a result of additions to machinery amounting to SAR 0.2 million as well as capital-work-in-progress during the year amounting to SAR 0.2 million. The cash flows utilized in investment activities increased as at 20 July 2020G to SAR 0.6 million.

49) Cashflows from financing activities

Cash outflows from financing activities amounted to SAR 8.2 million during 2019G Cash outflows from financing activities increased during 2020G to SAR 33.4 million mainly as Welspun Pipes Coating Company incurred repayments of SAR 30.0 million on its loans to shareholders in addition to repayments on Welspun Pipes Coating Company's long-term borrowings and lease liabilities of SAR 3.2 million and SAR 0.2 million, respectively. The cash flows utilized in financing activities during the period ended on 20 July 2020G, amounted to SAR 20 million due to repaying long-term borrowings to shareholders.

There were no shareholder dividends paid out throughout 2019G, 2020G and the period ended 20 July 2020G.

6-5 Proforma financial information of the Company

6-5-1 Basis of preparation and summary of significant accounting policies of the Company

The principal accounting policies applied by the Company in preparing the proforma financial information are similar to the accounting policies used in the preparation of the audited financial statements mentioned above in section No. 6.4 (**Summary of financial information and key performance indicators**) for both the Company and Welspun Pipes Coating Company. The principal accounting policies applied by the Company in the preparation of the proforma financial information are set out below.

A. Basis of preparation

The Company has prepared the accompanying proforma financial information for the years ended 31 March 2019G and 2020G to show the financial impact on its historical audited financial statements of the following transactions had this transaction taken place on 1 April 2017G.

On 21/09/1441H (corresponding to 14 May 2020G), the Company's shareholders signed a merger agreement with Welspun Pipes Coating Company, a limited liability company registered in the Kingdom of Saudi Arabia, owned by the same Company's shareholders and with the same shareholding proportion ("common control") (the "**Transaction" or "Merger**"). The Merger was approved by the Ministry of Commerce on 11/30/1441H (corresponding to 21 July 2020G).

The Company's shareholders signed the merger agreement for the purpose of merging the two entities by way of absorption, whereby it was agreed to merge Welspun Pipes Coating Company's operations and transfer all its assets, rights, liabilities and obligations to the Company against no consideration. Subsequent to the Merger, Welspun Pipes Coating Company was registered as a branch of the Company.

The Merger is between the Company and Welspun Pipes Coating Company that are under common control. In the absence of guidance provided in International Financial Reporting Standards ("**IFRS**") on the accounting treatment for business combinations among entities under common control, management has elected to apply predecessor accounting as its accounting policy and plans to apply this policy consistently from period to period to all business combinations between entities under common control that are considered similar in nature. Based on above, the Company has applied the predecessor accounting prospectively in its financial statements for the year ended 31 March 2021G to account for the Merger. Under the terms of the above-mentioned merger agreement and in accordance with the predecessor accounting, the book values of Welspun Pipes Coating Company were used as the values for predecessor accounting. Due to absence of cash or non-cash consideration involved in the Merger, the aggregate carrying value of the net liabilities of Welspun Pipes Coating Company were included in equity under retained earnings for the year ended 31 March 2021G.

The accompanying proforma financial information is prepared for illustrative purposes only and the proforma adjustments are based upon assumptions. Because of its nature, the proforma financial information illustrates what the material impacts the Merger would have had on the historical audited financial statements if the Merger had consummated at an earlier point in time (i.e. 1 April 2017G) and does not represent the Company's actual financial results or position.

The proforma financial information of the Company for the year ended 31 March 2021G was prepared by the Company's management in accordance with the Company's accounting policies, and was verified by the Auditor (PricewaterhouseCoopers, Certified Public Accountants) in accordance with the International Standard for Assurance Engagements No. 3420 (3420 ISAE).

For the preparation of the accompanying proforma financial information for the year ended 31 March 2021G, management has used the audited financial statements of the Company for the year ended 31 March 2021G prepared in accordance with IFRS, as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and Welspun Pipes Coating Company's audited financial statements for the period from 1 April 2020G to 20 July 2020G was prepared in accordance with the IFRS, as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA. The Auditors issued their audit report on the financial statements of the Company for the year ended 31 March 2021G dated 24 June 2021G and audit report on Welspun Pipes Coating Company's financial statements for the period from 1 April 2020G to 20 July 2020G dated 4 February 2021G.

For the comparative periods presented in the accompanying proforma financial information for the years ended 31 March 2019G and 31 March 2020G, management has used the statutory audited financial statements of the Company and Welspun Pipes Coating Company for the years ended 31 March 2019G and 2020G prepared in accordance with IFRS, as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA. The Auditors issued their audit reports on the statutory audited financial statements of the Company and Welspun Pipes Coating Company for the years ended 31 March 2019G and 31 March 2020G dated 27 May 2019G and 17 June 2020G, respectively.

The proforma financial information has been prepared for illustrative purposes only and the adjustments for the purposes of the proforma financial information are based on the following assumptions:

B. Merger Date

The merger between the Company and Welspun Pipes Coating Company is assumed to have happened on 1 April 2017G.

C. Common control and change in shareholding structure

On 1 November 2019G, the shareholding of the Company and Welspun Pipes Coating Company were changed to match shareholding structure and, accordingly, the Company and Welspun Pipes Coating Company amended their Articles of Association and foreign investment license issued by the Ministry of Investment to reflect the change in their shareholders. The change in such shareholding is assumed to have happened on 1 April 2017G and thus for the Company and Welspun Pipes Coating Company to be entities under common control from 1 April 2017G.

D. Statutory reserve

The statutory reserve has been adjusted as appropriate for the accompanying proforma financial information resulting from the Merger. The adjustment is made to reflect the statutory reserve based on the profit for the year as per proforma financial information for the year ended 31 March 2021G.

E. Zakat and income tax liability

It is assumed that there is no impact on the zakat and income tax liability of the Company as a result of the Merger. Hence, no adjustments have been made to the zakat and income tax provisions for the respective years.

F. Intercompany transactions and balances

Intercompany transactions consist of sales and purchases of spiral and coating pipes between the Company and Welspun Pipes Coating Company. Revenue and cost of revenue have been eliminated assuming also that there is no unrealised profit or loss in the closing inventory of the Company.

The proforma financial information does not take into consideration the effects of any expected benefits or costs incurred to achieve these benefits due to the Merger. The proforma financial information gives no indication of the financial results or position, and future financial situation of the activities of the Company.

The significant accounting policies applied by the Company in the preparation of this proforma financial information are aligned with the accounting policies in the Company's statutory audited financial statements for the year 31 March 2021G. In addition, the accounting policies applied by Welspun Pipes Coating Company in the preparation of its audited financial statements for the period from 1 April 2020G to 20 July 2020G are aligned with the accounting policies of the Company.

6-5-2 Summary of proforma financial information of the Company

Table (6-94): Summary of proforma financial information for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	2019G	2020G	2021G
Statement of comprehensive income			
Revenue	735,235	1,767,629	974,955
Cost of revenue	(763,110)	(1,408,495)	(738,431)
Gross profit	**(27,875)**	**359,134**	**236,525**
General and administrative expenses	(19,275)	(16,844)	(13,872)
Selling and distribution expenses	(11,516)	(7,657)	(5,547)
Expected credit loss provision	(243)	(3,928)	(2,498)
Other income	1,289	2,715	(1,190)
Operating profit / (loss)	**(57,620)**	**333,421**	**213,418**
Financing costs	(32,872)	(52,906)	(32,636)
Profit (loss) before zakat and income tax	(90,492)	280,515	180,782

Currency: SAR000	2019G	2020G	2021G
Zakat expense	117	(4,757)	(5,653)
Income tax expense	2,936	(26,427)	(22,238)
Profit (loss) for the year	**(87,440)**	**249,331**	**152,890**
Statement of financial position			
Total non-current assets	344,444	343,425	304,227
Total current assets	559,865	840,052	514,622
Total assets	**904,309**	**1,183,477**	**818,849**
Total equity	**(15,952)**	**231,791**	**517,617**
Total non-current liabilities	272,223	198,015	46,339
Total current liabilities	648,038	753,672	254,892
Total liabilities	**920,261**	**951,687**	**301,232**
Total liabilities and equity	**904,309**	**1,183,477**	**818,849**
Summary of statement of cashflows			
Net cash utilized in operating activities	(181,209)	(112,570)	376,334
Net cash utilized in investing activities	(23,491)	(3,280)	(2,040)
Net cash generated from financing activities	160,151	170,149	(402,762)
Cash and cash equivalents at beginning of year	61,035	16,487	70,785
Cash and cash equivalents at end of year	**16,487**	**70,785**	**42,316**

Source: The proforma financial information of the Company for the year ended 31 March 2021G

A. Proforma statement of profit or (loss) and other comprehensive income

The following table sets out the proforma Company's statement of profit or (loss) and other comprehensive income for the financial years ended 31 March 2019G, 2020G and 2021G:

Table (6-95): Income statement for the financial years ended 31 March 2019G, 2020G and 2021G:

Currency: SAR000	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G-2021G)	CAGR
Statement of comprehensive income						
Revenue	735,235	1,767,629	974,955	140.4%	(45)%	(13)%
Cost of revenue	(763,110)	(1,408,495)	(738,431)	84.6%	(48)%	2%
Gross profit	**(27,875)**	**359,134**	**236,525**	**(1388.4)%**	**(34)%**	**N/A**
General and administrative expenses	(19,275)	(16,844)	(13,872)	(12.6)%	(18)%	18%
Selling and distribution expenses	(11,516)	(7,657)	(5,547)	(33.5)%	(28)%	44%
Expected credit loss provision	(243)	(3,928)	(2,498)	1516.5%	(36)%	69%
Other income	1,289	2,715	(1,190)	110.6%	(144)%	N/A
Operating profit / (loss)	**(57,620)**	**333,421**	**(213,418)**	**478.7%**	**(164)%**	**48%**
Financing costs	(32,872)	(52,906)	(32,636)	60.9%	(38)%	0%

Currency: SAR000	2019G	2020G	2021G	Variance (2019G-2020G)	Variance (2020G-2021G)	CAGR
Profit (loss) before zakat and income tax	**(90,492)**	**280,515**	**180,782**	**210.0%**	**(36)%**	**N/A**
Zakat expense	117	(4,757)	(5,653)	(4165.8)%	(19)%	N/A
Income tax expense	2,936	(26,427)	(22,238)	(1000.1)%	(16)%	N/A
Profit (loss) for the year	**(87,440)**	**249,331**	**152,890**	**(385.1)%**	**(39)%**	**N/A**
Remeasurement of employee benefit obligations	(1,626)	(1,589)	(1,017)	(2.3)%	(36)%	26%
Total comprehensive income (loss) for the year	**(89,066)**	**247,742**	**151,874**	**(378.2)%**	**(39)%**	**N/A**

Source: The proforma financial information of the Company for the year ended 31 March 2021G, and management information

The tables below show the profit or (loss) and other comprehensive income proforma adjustments each year:

Table (6-96): Reconciliation of proforma statement of profit or loss and other comprehensive income for the year ended 31 March 2019G

Currency: SAR000	Financial years ended			
	The Company 2019G	WMEPC 2019G (Audited)	Adjustments	The Company 2019G (Proforma)
Statement of comprehensive income				
Revenue	707,190	47,031	(18,986)	735,235
Cost of revenue	(725,958)	(56,138)	18,986	(763,110)
Gross profit	**(18,768)**	**(9,107)**	**-**	**(27,875)**
General and administrative expenses	(14,789)	(4,486)	-	(19,275)
Selling and distribution expenses	(11,516)	-	-	(11,516)
Expected credit loss provision	-	(243)	-	(243)
Other operating income – net	739	550	-	1,289
Currency: SAR000	Financial years ended			
	The Company 2019G	WMEPC 2019G (Audited)	Adjustments	The Company 2019G (Proforma)
Financing costs	(28,018)	(4,854)	-	(32,872)
Profit (loss) before zakat	**(72,352)**	**(18,140)**	**-**	**(90,492)**
Zakat expense	117	-	-	117
Income tax expense	2,936	-	-	2,936
Loss for the year	**(69,300)**	**(18,140)**	**-**	**(87,440)**
Remeasurement of employee benefit obligations	(1,362)	(264)	-	(1,626)
Total comprehensive loss for the year	**(70,662)**	**(18,404)**	**-**	**(89,066)**

Source: The proforma financial information of the Company for the year ended 31 March 2021G, and management information

Table (6-97): Reconciliation of proforma statement of profit or loss and other comprehensive income for the year ended 31 March 2020G

Currency: SAR000	Financial years ended			
	The Company 2020G (Audited)	WMEPC 2020G (Audited)	Adjustments	The Company 2020G (Proforma)
Statement of comprehensive income				
Revenue	1,668,864	122,118	(23,352)	1,767,629
Cost of revenue	(1,332,512)	(99,336)	23,352	(1,408,495)
Gross profit	**336,352**	**22,782**	**-**	**359,134**
General and administrative expenses	(12,706)	(4,137)	-	(16,844)
Selling and distribution expenses	(7,657)	-	-	(7,657)
Expected credit loss provision	(3,928)	-	-	(3,928)
Other operating income – net	2,599	116	-	2,715
Operating profit / (loss)	**314,660**	**18,760**	**-**	**333,421**
Financing costs	(48,110)	(4,795)	-	(52,906)
Profit (loss) before zakat and income tax	**266,550**	**13,965**	**-**	**280,515**
Zakat expense	(4,577)	(180)	-	(4,757)
Income tax expense	(25,039)	(1,388)	-	(26,427)
Profit for the year	**236,934**	**12,397**	**-**	**249,331**
Remeasurement of employee benefit obligations	(1,273)	(316)	-	(1,589)
Total comprehensive loss for the year	**235,660**	**12,081**	**-**	**247,742**

Source: The proforma financial information of the Company for the year ended 31 March 2021G, and management information

Table (6-98): Reconciliation of proforma statement of profit or loss and other comprehensive income for the year ended 31 March 2021G

Currency: SAR000	Financial years ended			
	The Company 2021G (Audited)	WMEPC 2021G (Audited)	Adjustments	The Company 2021G (Proforma)
Statement of comprehensive income				
Revenue	935,506	39,448	-	974,955
Cost of revenue	(705,309)	(33,121)	-	(738,431)
Gross profit	**230,197**	**6,328**	**-**	**236,525**
General and administrative expenses	(12,857)	(1,014)	-	(13,872)
Selling and distribution expenses	(5,547)	-	-	(5,547)
Expected credit loss provision	(2,498)	-	-	(2,498)
Other operating income – net	(1,616)	426	-	(1,190)
Operating profit / (loss)	**207,679**	**5,739**	**-**	**213,418**
Financing costs	(32,011)	(625)	-	(32,636)
Profit (loss) before zakat	**175,668**	**5,114**	**-**	**180,782**

Currency: SAR000	Financial years ended			
	The Company 2021G (Audited)	WMEPC 2021G (Audited)	Adjustments	The Company 2021G (Proforma)
Zakat expense	(5,596)	(57)	-	(5,653)
Income tax expense	(21,806)	(433)	-	(22,238)
Profit for the year	**148,266**	**4,624**	**-**	**152,890**
Remeasurement of employee benefit obligations	(509)	(507)	-	(1,017)
Total comprehensive loss for the year	**147,757**	**4,117**	**-**	**151,874**

Source: The proforma financial information of the Company for the year ended 31 March 2021G, and management information

B. Revenue

The adjustments represent adding the revenue recognized by Welspun Pipes Coating Company from its sales transactions to third parties excluding the transactions with the Company.

C. Cost of revenue

The adjustments represent adding the cost of revenue related to revenue recognized by Welspun Pipes Coating Company from its sales transactions to third parties.

General and administrative expenses, other operating income – net, financing costs, zakat and income tax expense, and remeasurement of employee benefit obligations

The adjustments represent adding the expenses/revenue incurred by Welspun Pipes Coating Company to the income statement of the Company.

6-5-3 Proforma statement of financial position as at 31 March 2019G, 31 March 2020G and 31 March 2021G

Table (6-99): Statement of financial position as at 31 March 2019G, 31 March 2020G and 31 March 2021G:

Currency: SAR000	2019G	2020G	2021G
Property, plant and equipment	341,176	309,468	277,381
Right-of-use assets	-	33,831	26,829
Other Intangible assets	332	126	17
Deferred tax assets	2,936	-	-
Trade and other receivables	-	-	-
Total non-current assets	**344,444**	**343,425**	**304,227**
Inventories	207,029	192,817	114,495
Trade and other receivables	333,181	576,450	357,812
Zakat and income tax refundable	3,168	-	-
Cash and cash equivalents	16,487	70,785	42,622
Total current assets	**559,865**	**840,052**	**514,622**
Total assets	**904,309**	**1,183,477**	**818,849**
Share capital	76,047	76,047	210,000
Statutory reserve	-	15,733	30,560

Currency: SAR000	2019G	2020G	2021G
Retained earnings (accumulated losses)	(91,999)	140,010	277,057
Total equity	**(15,952)**	**231,790**	**517,617**
Long-term borrowings	37,500	-	-
Long-term loans from shareholders	184,919	154,919	-
Lease liabilities	-	27,520	21,706
Deferred tax liability	-	739	8,003
Employee benefit obligations	11,433	14,837	16,630
Advances from Customers	38,372	-	-
Total non-current liabilities	**272,223**	**198,015**	**46,340**
Trade and other payables	386,048	215,521	109,569
Current portion of long-term borrowings	74,866	70,739	-
Current portion of borrowings from shareholders	-	-	3,164
Current portion of lease liabilities	-	6,803	5,932
Short term borrowings	187,124	436,428	130,409
Zakat and income tax payable	-	24,181	5,817
Total current liabilities	**648,038**	**753,672**	**254,892**
Total liabilities	**920,261**	**951,687**	**301,232**
Total liabilities and equity	**904,309**	**1,183,477**	**818,849**

Source: The proforma financial information of the Company for the year ended 31 March 2021G, and management information

The tables below show the proforma adjustments each year followed by brief description for the adjustments:

Table (6-100): Reconciliation of proforma statement of financial position as at 31 March 2019G:

Currency: SAR000	The Company 31 March 2019G (Audited)	WMEPC 31 March 2019G (Audited)	Adjustments	The Company 31 March 2019G (Proforma)
Property, plant and equipment	253,537	87,639	-	341,176
Other Intangible assets	332	-	-	332
Deferred tax assets	2,936	-	-	2,936
Total non-current assets	**256,805**	**87,639**	**-**	**344,444**
Inventory	196,181	10,848	-	207,029
Trade and other receivables	356,138	4,536	(27,492)	333,181
Zakat and income tax refundable	3,168	-	-	3,168
Cash and cash equivalents	16,237	249	-	16,487
Total current assets	**571,724**	**15,633**	**(27,492)**	**559,865**
Total assets	**828,529**	**103,272**	**(27,492)**	**904,309**
Share capital	76,047	33,766	(33,766)	76,047
Retained earnings (accumulated losses)	(35,145)	(90,619)	33,766	(91,999)
Total equity	**40,902**	**(56,854)**	**-**	**(15,952)**

Currency: SAR000	The Company 31 March 2019G (Audited)	WMEPC 31 March 2019G (Audited)	Adjustments	The Company 31 March 2019G (Proforma)
Long-term borrowings	37,500	-	-	37,500
Long-term loans from shareholders	105,882	79,036	-	184,919
Employee benefit obligations	9,218	2,215	-	11,433
Advances from Customers	38,372	-	-	38,372
Total non-current liabilities	**190,972**	**81,251**	**-**	**272,223**
Trade and other payables	337,929	75,612	(27,492)	386,048
Current portion of long-term borrowings	71,603	3,263	-	74,866
Short term borrowings	187,124	-	-	187,124
Total current liabilities	**596,655**	**78,875**	**(27,492)**	**648,038**
Total liabilities	**787,627**	**160,126**	**(27,492)**	**920,261**
Total liabilities and equity	**828,529**	**103,272**	**(27,492)**	**904,309**
Total assets to total liabilities	105.2%	64.5%	-	98.3%

Source: The proforma financial information of the Company for the year ended 31 March 2021G, and management information

Table (6-101): Reconciliation of proforma statement of financial position as at 31 March 2020G:

Currency: SAR000	The Company 31 March 2020G (Audited)	WMEPC 31 March 2020G (Audited)	Adjustments	The Company 31 March 2020G (Proforma)
Property, plant and equipment	229,733	79,735	-	309,468
Right-of-use assets	31,285	-	-	33,831
Other Intangible assets	126	2,546	-	126
Total non-current assets	**261,144**	**82,281**	**-**	**343,425**
Inventory	175,784	17,034	-	192,817
Trade and other receivables	642,499	23,777	(89,825)	576,450
Cash and cash equivalents	69,124	1,661	-	70,785
Total current assets	**887,407**	**42,471**	**(89,825)**	**840,052**
Total assets	**1,148,550**	**124,752**	**(89,825)**	**1,183,477**
Share capital	76,047	33,766	(33,766)	76,047
Statutory reserve	20,179	-	(4,446)	15,733
Retained earnings (accumulated losses)	180,337	(78,538)	38,211	140,010
Total equity	**276,562**	**(44,772)**	**-**	**231,790**
Long-term loans from shareholders	105,882	49,036	-	154,919
Lease liabilities	25,108	2,412	-	27,520
Deferred tax liability	739	-	-	739
Employee benefit obligations	12,033	2,804	-	14,837
Total non-current liabilities	**143,762**	**54,253**	**-**	**198,015**
Trade and other payables	191,829	113,517	(89,825)	215,521

Currency: SAR000	The Company 31 March 2020G (Audited)	WMEPC 31 March 2020G (Audited)	Adjustments	The Company 31 March 2020G (Proforma)
Current portion of long-term borrowings	70,739	-	-	70,739
Current portion of lease liabilities	6,617	186	-	6,803
Short term borrowings	436,428	-	-	436,428
Zakat and income tax payable	22,614	1,567	-	24,181
Total current liabilities	**728,226**	**115,271**	**(89,825)**	**753,672**
Total liabilities	**871,988**	**169,524**	**(89,825)**	**951,687**
Total liabilities and equity	**1,148,550**	**124,752**	**(89,825)**	**1,183,477**
Key Performance Indicators				
Return on asset	20.6%	9.9%	-	21.1%
Return on equity	85.7%	N/A	-	107.6%
Total assets to total liabilities	131.7%	73.6%	-	124.4%

Source: The proforma financial information of the Company for the year ended 31 March 2021G, and management information

Table (6-102): Reconciliation of proforma statement of financial position as at 31 March 2021G:

Currency: SAR000	The Company 31 March 2021G	WMEPC 31 March 2021G	Adjustments	The Company 31 March 2021G (Proforma)
Property, plant and equipment	204,284	73,097	-	277,281
Right-of-use assets	24,514	2,314	-	26,829
Intangible assets	18	-	-	18
Total non-current assets	**228,816**	**75,411**	**-**	**304,227**
Inventories	98,867	15,629	-	114,495
Trade and other receivables	446,591	18,659	(127,439)	357,812
Cash and cash equivalents	42,305	11	-	42,316
Total current assets	**607,763**	**34,299**	**(127,439)**	**514,622**
Total assets	**836,579**	**109,710**	**(127,439)**	**818,849**
Share capital	210,000	33,766	-	210,000
Statutory reserve	35,005	-	-	35,005
Retained earnings (accumulated losses)	314,910	(76,064)	-	272,612
Total equity	**559,912**	**(42,298)**	**-**	**517,617**
Long-term borrowings from shareholders	965	-	(965)	-
Lease liabilities	19,522	2,284	-	21,706
Deferred tax liabilities	8,003	-	-	8,003
Employee benefit obligations	12,862	3,768	-	16,630
Total non-current liabilities	**41,352**	**5,953**	**(965)**	**46,340**
Trade and other payables	91,748	145,261	(127,439)	109,569
Current portion of long-term borrowings	-	-	-	-

Currency: SAR000	The Company 31 March 2021G	WMEPC 31 March 2021G	Adjustments	The Company 31 March 2021G (Proforma)
Current portion of long-term borrowings from shareholders	1,814	385	965	3,164
Current portion of lease liabilities	5,742	191	-	5,932
Short-term borrowings	130,209	-	-	130,209
Accrued zakat and income tax	5,600	219	-	5,817
Total current liabilities	**235,312**	**146,055**	**(126,474)**	**254,892**
Total liabilities	**276,663**	**152,008**	**(127,439)**	**301,232**
Total liabilities and equity	**836,579**	**109,710**	**(127,439)**	**818,849**

Source: The proforma financial information of the Company for the year ended 31 March 2021G, and management information

Summary of proforma adjustments of the statement of financial position

The adjustments represent

1) the elimination of the balances between the Company and Welspun Pipes Coating Company.

2) adding Welspun Pipes Coating Company balances to the Group financial position.

6-5-4 Proforma cashflow statement of the Company

Table (6-103): Statement of cash flows for the financial years ended 31 March 2019G, 31 March 2020G and 31 March 2021G:

Currency: SAR000	2019G (Proforma)	2020G (Proforma)	2021G (Proforma)
Profit (loss) before zakat and income tax	**(90,492)**	**280,515**	**180,782**
Adjustments for:			
Depreciation	34,411	42,117	41,123
Amortization	212	216	115
Provision (reversal) for inventory obsolescence	(258)	3,692	741
Gain from sale of property and equipment	(102)	(36)	-
Expected credit loss provision	243	3,928	2,498
Financing costs	32,873	52,906	32,636
Provisions for employee benefit obligations	1,470	1,982	2,263
Changes in operating assets and liabilities:			
Decrease (increase) in inventories	(143,861)	10,519	77,581
Increase in trade and other receivables	(255,430)	(247,196)	216,141
Decrease (increase) in trade and other payables	261,714	(173,389)	(105,310)
Cash generated in operations	**(159,221)**	**(24,864)**	**448,571**
Financing costs paid	(21,748)	(86,907)	(27,785)
Employee benefit obligations paid	(240)	(639)	(1,344)
Zakat and income tax paid	-	(160)	(43,107)
Net cash outflow from operating activities	**(181,209)**	**(112,570)**	**376,333**

Currency: SAR000	2019G (Proforma)	2020G (Proforma)	2021G (Proforma)
Payments for purchases of property, plants and equipment	(23,559)	(3,307)	(2,034)
Payments for purchases of intangible assets	(40)	(10)	(6)
Proceeds from disposal of property and equipment	108	36	-
Net cash utilized in investing activities	**(23,491)**	**(3,280)**	**(2,040)**
Changes in short-term borrowings	187,124	247,918	(305,841)
Repayments of long-term borrowings	(26,973)	(41,277)	(70,198)
Proceeds from long-term borrowings from shareholders	-	-	7,366
Repayments of long-term loans from shareholders	-	(30,000)	(27,366)
Repayments of lease liabilities	-	(6,492)	(6,724)
Net cash generated from financing activities	**160,151**	**170,149**	**(402,762)**
Net change in cash and cash equivalents	(44,548)	54,298	(28,468)
Cash and cash equivalents at beginning of year	61,035	16,487	70,785
Cash and cash equivalents at end of year	**16,487**	**70,785**	**42,316**

Source: The proforma financial information of the Company for the year ended 31 March 2021G, and management information.

There is no effect of the merger on the statement of cash flows for the year ended 31 March 2019G and 2020G as a result of the settlement of related parties' debit and credit balances.

Table (6-104): Statement of cash flows reconciliation for the financial year 31 March 2021G:

Currency: SAR000	The Company 31 March 2021G	WMEPC 31 March 2021G	Adjust-ments	31 March 2021G (Proforma)
Profit (loss) before zakat and income tax	**175,668**	**5,114**	**-**	**180,782**
Adjustments for:				
Depreciation	38,519	2,604	-	41,123
Amortization	115	-	-	115
Provision (reversal) for inventory obsolescence	649	92	-	741
Expected credit loss provision	2,498	-	-	2,498
Financing costs	32,011	625	-	32,636
Provisions for employee benefit obligations	2,132	132	-	2,263
Changes in operating assets and liabilities:				
Decrease (increase) in inventories	74,570	3,012	-	77,581
Increase in trade and other receivables	306,303	(337)	(89,825)	216,141
Decrease (increase) in trade and other payables	(204,450)	9,315	89,825	(105,310)
Cash generated in operations	**428,014**	**20,557**	**-**	**448,571**
Financing costs paid	(27,742)	(43)	-	(27,785)
Employee benefit obligations paid	(1,344)	-	-	(1,344)
Zakat and income tax paid	(41,540)	(1,567)	-	(43,107)
Net cash outflow from operating activities	**357,387**	**18,946**	**-**	**376,334**

Currency: SAR000	The Company 31 March 2021G	WMEPC 31 March 2021G	Adjust-ments	31 March 2021G (Proforma)
Payments for purchases of property, plants and equipment	(1,453)	(580)	-	(2,034)
Payments for purchases of intangible assets	(6)	-	-	(6)
Net cash utilized in investing activities	**(1,459)**	**(580)**	**-**	**(2,040)**
Changes in short-term borrowings	(305,841)	-	-	(305,841)
Repayments of long-term borrowings	(70,198)	-	-	(70,198)
Proceeds from long-term borrowings from share-holders	7,366	-	-	7,366
Repayments of long-term loans from shareholders	(7,366)	(20,000)	-	(27,366)
Repayments of lease liabilities	(6,723)	-	-	(6,723)
Net cash generated from financing activities	**(382,762)**	**(20,000)**	**-**	**(402,762)**
Net change in cash and cash equivalents	(26,834)	(1,634)	-	(28,468)
Cash transfer	27	-	(27)	-
Cash and cash equivalents at beginning of year	69,124	1,661	-	70,785
Cash and cash equivalents at end of year	**42,316**	**27**	**(27)**	**42,316**

Source: The proforma financial information of the Company for the year ended 31 March 2021G, and management information.

7- Dividend Distribution Policy

Pursuant to Article 110 of the Companies Law, each Shareholder is entitled to the rights attached to the Shares, including the right to receive a portion of the dividends declared. The Board of Directors shall make a recommendation on the declaration of any dividends prior to the approval of the Shareholders in a meeting of the General Assembly. The Company is under no obligation to declare dividends and any decision to do so will depend, amongst other things, on the Company's historic and anticipated earnings and cash flow, financing and capital requirements, market and general economic conditions, and the Company's Zakat position, in addition to legal and regulatory considerations. Dividend distributions are subject to the restrictions set out in the financing agreements concluded with the financiers (for further information about the Company's current financing arrangements, please refer to Section 12-4-3 **"Financing Agreements**" of this Prospectus). Dividend distributions are also subject to the restrictions set out in the Bylaws. Dividends shall be distributed in Saudi Riyals.

Under the Company's Bylaws, after all general expenses and other costs are deducted, the annual net profit will be distributed as follows:

1) Ten percent (10%) of the net profit shall be set aside to form a statutory reserve. Such allocations to the statutory reserve may be discontinued by the Ordinary General Assembly when the statutory reserve amounts to thirty percent (30%) of the Company's share capital.

2) Based on the Board's suggestion, the Ordinary General Assembly may set aside ten percent (10%) of profits to build up a contractual reserve allocated to one or more specific purposes.

3) The Ordinary General Assembly may resolve to form other reserves to the extent they serve the Company's interests, or to ensure the distribution of fixed dividends – so far as possible – to the Shareholders. The Ordinary General Assembly may also deduct amounts from the net profit to create social institutions for the Company's employees, or to support existing institutions of such kind.

4) The Board of Directors may distribute a certain percentage of the remaining balance to the Shareholders, and the Company may distribute semi-annual and quarterly dividends after complying with the requirements determined by the competent authorities.

5) Subject to the provisions set forth in Article 19 of the Company's Bylaws and Article 76 of the Companies Law, up to ten percent (10%) of the balance shall be set aside to remunerate the Board of Directors, provided that such remuneration is proportionate to the number of meetings attended by each Director.

Shareholders are entitled to their share of dividends under a resolution of the General Assembly issued in this regard. The resolution shall specify the date of maturity and the date of distribution. Owners of shares recorded in the Shareholder Register at the end of the maturity day shall be entitled to dividends.

Dividend distributions are also subject to the restrictions and conditions set out in the credit facility agreements that the Company concludes with financiers from time to time.

The Company did not announce or distribute any profits during the financial years ended March 31, 2019G, 2020G and 2021G.

Offer Shares are not entitled to any dividends announced prior to the date of this Prospectus. Offer Shares shall be entitled to dividends announced by the Company from the date of this Prospectus and the subsequent financial years. As at the date of this Prospectus, the Directors declare that there are no declared or outstanding dividends for the said periods.

8- Use of Proceeds

The total Offering Proceeds are estimated to be five hundred and four million Saudi Riyals (SAR 504,000,000), of which an estimated amount of twenty three million five thousand Saudi Riyals (SAR 23,500,000) will be applied to settle all Offering expenses, including the fees of the Financial Advisor, Lead Manager, Underwriter, Legal Advisor, Auditor, Receiving Entities, and Market Consultant, as well as marketing, printing and distribution fees and other expenses related to the Offering. The Net Offering Proceeds estimated to be four hundred eighty million and five hundred thousand Saudi Riyals (SAR 480,500,000) will be distributed to the Selling Shareholders pro-rata to the number of Offer Shares sold by them in the Offering. The Company will not receive any part of the Offering Proceeds. The Selling Shareholders will bear all fees, expenses and costs related to the Offering.

9- Capitalization and Indebtedness of the Company

Prior to the Offering, the Selling Shareholders own all of the share capital of the Company. Following the completion of the Offering, they will own 70% of the share capital of the Company.

The following table sets out the capitalization of the Company as derived from the Company's financial statements for the financial years ended March 31, 2019G, 2020G and 2021G. The following table should be read in conjunction with the relevant financial statements, including the notes attached thereto contained in Section 19 **"Financial Statements, Pro Forma Financial Information and Auditor's Report"** of this Prospectus.

Table (9-1): Capitalization of the Company for the Financial Years Ended March 31, 2019G, 2020G and 2021G

SAR'000	Financial Year ended March 31		
	2019G	2020G	2021G
Long-term loans	37,500	-	-
Long-term shareholder loans	105,882	105,882	3,164
Current portion of long-term loans	71,603	70,739	-
Short-term loans	187,124	436,428	130,409
Total loans	**402,109**	**613,049**	**133,573**
Equity			
Capitalization	76,047	76,047	210,000
Statutory reserve	-	20,179	35,005
Retained earnings/losses	(35,145)	180,337	272,612
Total shareholders' equity	**40,902**	**276,562**	**517,617**
Total capitalization (total loans + total shareholders' equity)	443,011	889,612	651,190
Total interest-bearing loans benefit/total capitalization	**91%**	**69%**	**20%**

Source: The Company's audited financial statements for the financial years ended March 31, 2019G, 2020G and 2021G, and the Company

Welspun Coating was merged with the Company on 30/11/1441H (corresponding to 21/07/2020G).

Table (9-2): Capitalization and Indebtedness of Welspun Coating for the Financial Years Ended March 31, 2019G and 2020G

SAR'000	Financial Year ended March 31	
	2019G	2020G
Loans		
Long-term loans	-	-
Long-term shareholder loans	79,036	-
Current portion of long-term loans		49,036
Short-term loans	3,263	-
Total loans	**82,300**	**49,036**
Equity		
Capitalization	33,766	33,766
Retained earnings/losses	(90,619)	(78,538)
Total shareholders' equity	**(56,854)**	**(44,772)**
Total capitalization (total loans + total shareholders' equity)	25,446	4,264
Total interest-bearing loans benefit/total capitalization	**323%**	**1150%**

Source: Welspun Coating and its audited financial statements for the financial years ended March 31, 2019G and 2020G

The Directors declare that:

- None of the Company's shares are under option.
- Neither the Company nor any subsidiary has any debt instruments as of the date of this Prospectus.
- The Company's balance and cash flows are sufficient to meet its expected cash and working capital requirements for at least twelve (12) months after the date of this Prospectus, taking into account any adverse and material change to the Company's business.

10- Expert Statements

All of the Advisors and the Auditor, whose names are listed on pages (vi) and (vii) of this Prospectus, have given and, as of the date of this Prospectus, not withdrawn their written consent to the publication of the names, addresses, logos and statements attributed to each of them in this Prospectus, and do not, themselves, nor their employees who form part of the team serving the Company, or any of their relatives, have any shareholding or interest of any kind in the Company as at the date of this Prospectus which would impair their independence.

II- Declarations

The Directors declare that:

1) Other than as described in Section 4-7 "**Business Continuity**" of this Prospectus, there has been no interruption in the Company's business during the 12-month period preceding the date of this Prospectus which may have, or has had, a significant effect on its financial position.

2) No commissions, discounts, brokerage fees, or any non-cash compensations were granted by the Company during the three years immediately preceding the date of application for registration and offer of the securities subject to this Prospectus with respect to the issuance or offering of any securities.

3) Other than as described in Section 6 "**Management Discussion and Analysis of Financial Position and Operating Results**" of this Prospectus, there has been no material adverse change in the business or financial position of the Company in the three years immediately preceding the date of filing the application for registration and offering of the securities subject to this Prospectus and the period covered in the Auditor's report to the approval date of this Prospectus.

4) Other than as described in Section 5-8 "**Conflict of Interest**" of this Prospectus, neither they nor any of their relatives have shares or interest of any kind in the Company.

5) The Company has working capital sufficient for at least twelve (12) months immediately following the date of publication of this Prospectus.

6) Other than as described in Section 2 "**Risk Factors**" of this Prospectus, to the best of their knowledge and belief, there are no other material risks as at the date of this Prospectus that would affect investors' decisions to invest in the Offer Shares.

7) There is no intention of making any material change to the nature of the Company's activity as at the date of this Prospectus.

8) The financial information contained in Section 6 "**Management Discussion and Analysis of Financial Position and Operating Results**" has been extracted without material change and presented in a format consistent with the Company's audited financial statements for the financial years ended March 31, 2019G, 2020G and 2021G, and the audited financial statements of Welspun Coating for financial years ended March 31, 2019G and 2020G, and the period from April 1, 2020G to July 20, 2020G, which have been prepared in accordance with IFRS, as well as the pro forma financial information for the year ended March 31, 2021G, prepared by the Company's Management in accordance with the Company's accounting policies.

9) There has been no material adverse change in the financial and trading position of the Company during the three financial years immediately preceding the date of filing the application for registration and offering of the securities to the date of the approval of this Prospectus, except as disclosed in Section 2 "**Risk Factors**" and Section 6 "**Management Discussion and Analysis of Financial Position and Operating Results**" of this Prospectus.

10) The Directors declare that the Company does not have any properties, including contractual financial securities or other assets, the value of which are subject to fluctuations or are difficult to ascertain, which significantly affects the evaluation of the financial position.

11) All material facts related to the Company and its financial performance have been disclosed in this Prospectus, and there is no other information, documents, or facts the omission of which would make any statement herein misleading.

12) There are no loans or indebtedness including bank overdrafts, guarantee obligations (including personal guarantee or non-personal guarantee), obligations under acceptance, acceptance credits, or hire purchase commitments of the Company except as disclosed in Section 12-4-3 "**Financing Agreements**" and Section 6 "**Management Discussion and Analysis of Financial Position and Operating Results**" of this Prospectus.

13) There are no mortgages, rights, charges or costs on the Company's property as at the date of this Prospectus, except as disclosed in Section 12-4-3 "**Financing Agreements**" and Section 6 "**Management Discussion and Analysis of Financial Position and Operating Results**" of this Prospectus.

14) The Company is committed to all the terms and covenants of the financing agreements as at the date of this Prospectus disclosed in Section 12-4-3 "**Financing Agreements**" of this Prospectus.

15) The Company's capital is not under option.

16) An appropriate doubtful debt provision policy has been adopted and applied in accordance with IFRS 9 Expected Credit Loss Model and IFRS 15, under which revenue and receivables are recognized based on the five-step model, as described in the accounting policies in this Prospectus, and the current provision for doubtful debts is, to the best of their knowledge, sufficient.

17) Neither the Company nor any subsidiary has any debt instruments as of the date of this Prospectus.

18) The Offering does not violate the applicable laws and regulations of the Kingdom.

19) The Offering does not prejudice any of the contracts or agreements to which the Company is a party.

20) The material legal information relating to the Company has been disclosed in the Prospectus.

21) The Company is not involved in any lawsuits or proceedings that could individually or collectively have a material effect on the Company's business or financial position.

22) The Directors are not involved in any lawsuits or proceedings that could individually or collectively have a material effect on the Company's business or financial position.

23) All agreements with Related Parties described in Section 12-5 "**Material Agreements with Related Parties**" of this Prospectus do not include any preferential conditions and have been executed in accordance with laws and regulations and on an arm's-length basis.

24) Except as disclosed in Section 12-5 "**Material Agreements with Related Parties**" of this Prospectus, the Company is not bound by any transactions, agreements, commercial relationships or real estate transactions with a Related Party, including the Financial Advisor and the Legal Advisor for the Offering.

12- Legal Information

12-1 Legal Declarations

The Directors declare that:

1) The Offering does not violate the applicable laws and regulations of the Kingdom.
2) The Offering does not prejudice any of the contracts or agreements to which the Company is a party.
3) All material legal information related to the Company has been disclosed in this Prospectus.
4) The Company is not involved in any lawsuits or proceedings that could individually or collectively have a material effect on the Company's business or financial position.
5) The Directors are not involved in any lawsuits or proceedings that could individually or collectively have a material effect on the Company's business or financial position.

12-2 The Company

East Pipes Integrated Company for Industry is a mixed closed joint stock company pursuant to Ministerial Resolution No. 7 dated 05/02/1442H (corresponding to 22/09/2020G), registered in Dammam under the Commercial Register No. 2050071522 dated 22/07/1431H (corresponding to 04/07/2010G). Its registered address is Second Industrial City in Dammam, P.O. Box 12943, Dammam, 31483, Kingdom of Saudi Arabia.

The Company was established on 16/06/1431H (corresponding to 30/05/2010G) under the name "Pipe Development for Pipe Manufacturing Company" as a limited liability company with a fully paid-up capital of five hundred thousand Saudi Riyals (SAR 500,000) divided into fifty thousand (50,000) cash shares with a nominal value of ten Saudi Riyals (SAR 10) per share. It was registered in the Commercial Register of Dammam under No. 2050071522 dated 22/07/1431H (corresponding to 04/07/2010G). The Company was also licensed by the Ministry of Investment under Industrial Investment License No. 121031118992 dated 22/07/1431H (corresponding to 04/07/2010G).

On 09/11/1431H (corresponding to 17/10/2010G), the shareholders agreed to increase the Company's capital from five hundred thousand Saudi Riyals (SAR 500,000) to seventy-six million, forty-six thousand, eight hundred seventy-five Saudi Riyals (SAR 76,046,875), divided into seventy-six million, forty-six thousand, eight hundred seventy-five (76,046,875) shares. The nominal value of the shares was reduced to the value of one Saudi riyal (SAR 1) each. The increase of seventy-five million, five hundred forty-six thousand, eight hundred seventy-five Saudi Riyals (SAR 75,546,875) was covered through in-kind shares provided by the shareholders. On 18/12/1431H (corresponding to 24/11/2010G), the shareholders agreed to change the Company's name from "Pipe Development for Pipe Manufacturing Company" to "Welspun Middle East Pipes Company."

On 21/09/1441H (corresponding to 14/05/2020G), the shareholders agreed to merge Welspun Coating with all of its assets, rights, liabilities and obligations in the Company under a merger agreement between the shareholders of the Company and the shareholders of Welspun Coating on 21/09/1441H (corresponding to 14/05/2020G), whereby the shareholders agreed that (i) Welspun Coating shall merge with the Company, (ii) Welspun Coating shall cease to exist as a separate legal entity, and (iii) the Company shall continue to exist as the surviving entity after the merger is complete. The merger process was completed on 30/11/1441H (corresponding to 21/07/2020G), and Welspun Coating became a branch of the Company.

On 05/02/1442H (corresponding to 22/09/2020G), the Company was converted from a limited liability company to a joint stock company, pursuant to Ministerial Resolution No. 7 announcing the conversion of the Company into a joint stock company on 05/02/1442H. (corresponding to 22/09/2020G), with a fully paid-up capital of seventy-six million, forty-six thousand, eight hundred eighty Saudi Riyals (SAR 76,046,880), divided into seven million, six hundred four thousand, six hundred eighty-eight (7,604,688) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share.

On 13/05/1442H (corresponding to 28/12/2020G), the Extraordinary General Assembly approved the change of the Company's name from "Welspun Middle East Pipes Company" to "East Pipes Integrated Company for Industry." It also agreed to increase the Company's capital from seventy-six million, forty-six thousand, eight hundred eighty Saudi Riyals (SAR 76,046,880) to two hundred ten million Saudi Riyals (SAR 210,000,000), divided into twenty-one million (21,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share. The increase of one hundred thirty-three million, nine hundred fifty-three thousand, one hundred twenty Saudi Riyals (SAR 133,953,120) was covered through capitalization of the Company's Shareholders' debts (for further information about the history of the Company, please refer to Section 4-1-2 "**Company History and Evolution of the Company's Share Capital**" of this Prospectus).

12-2-1 Shareholders' Structure

The Company's current capital is two hundred ten million Saudi Riyals (SAR 210,000,000) divided into twenty-one million (21,000,000) ordinary shares with a nominal value of ten Saudi Riyals (SAR 10) per share. The following table shows the Company's current ownership structure.

Table (12-1): Ownership Structure of the Company as at the Date of This Prospectus

#	Shareholder	Pre-Offering			Post-Offering		
		Number of Shares	Overall Nominal Value (SAR)	Percentage	Number of Shares	Overall Nominal Value (SAR)	Percentage
1.	Welspun Holding	10,502,101	105,021,010	50.01%	7,351,471	73,514,710	35.01%
2.	Aziz Company	5,985,000	59,850,000	28.50%	4,189,500	41,895,000	19.95%
3.	Vision Invest	3,464,999	34,649,990	16.50%	2,425,499	24,254,990	11.55%
4.	Mohawarean	1,047,900	10,479,000	4.99%	733,530	7,335,300	3.49%
5.	Public	-	-	-	6,300,000	63,000,000	30%
Total		**21,000,000**	**210,000,000**	**100%**	**21,000,000**	**210,000,000**	**100%**

Source: The Company

12-2-2 Company Branches

The Company has one branch in the Kingdom. The following table sets out the details of the registered branch of the Company as at the date of this Prospectus:

Table (12-2): Table 122: The Company's Branches as at the Date of This Prospectus

#	Location	Commercial Registration No.	Date of Commercial Registration Certificate	Expiry Date of Commercial Registration Certificate
1.	Second Industrial City, Dammam	2050071524	22/07/1431H (corresponding to 04/07/2010G)	06/11/1446H (corresponding to 04/05/2025G)

Source: The Company

12-2-3 Key Licenses

The Company has obtained all the necessary material licenses from the competent authorities that enable it to conduct its business. Below is a summary of the Company's material licenses in the Kingdom:

Table (12-3): Material Licenses as at the Date of This Prospectus

#	License Type	Issuing Authority	Purpose	License No.	Date of Issue	Expiry Date
1.	Membership certificate in Asharqia Chamber of Commerce	Eastern Province Chamber of Commerce and Industry	Registration in Asharqia Chamber of Commerce	138184	11/11/1438H (corresponding to 03/08/2017G)	06/11/1446H (corresponding to 04/05/2025G)
2.	Industrial Establishment License - Investment	The Ministry of Industry and Mineral Resources	Manufacture of arc welded steel pipes with diameters of 18”-120”	161	21/01/1440H (corresponding to 01/10/2018G)	20/08/1443H (corresponding to 23/03/2022G)
3.	Industrial Establishment License - Investment*	The Ministry of Industry and Mineral Resources	Pipe coating and pipe connections with cement	1587	20/06/1440H (corresponding to 25/02/2019G)	29/09/1445H (corresponding to 08/04/2024G)
4.	Industrial Investment License	The Ministry of Investment	Manufacturing of pipes, tubes and hollow shapes from iron and steel; manufacturing of pipes, tubes, hollow shapes, and pipe and tube connections; and metal processing and painting by polishing	121031118992	22/07/1431H (corresponding to 04/07/2010G)	29/10/1446H (corresponding to 27/04/2025G)
5.	Operating license	Modon	Operation of the Company's plant	5941441127012586	Not applicable	14/02/1443H (corresponding to 21/09/2021G)**
6.	Operating license*	Modon	Operation of the Welspun Coating Plant	59414411219012598	Not applicable	01/01/1443H (corresponding to 09/08/2021G)**

* The license was made in the name of Welspun Coating and was transferred to the Company by force of law upon the merger of Welspun Coating with the Company.

** The Company is still in the process of renewing this license as at the date of this Prospectus, and it expects to obtain the final operating license in November in accordance with Modon's procedures.

Source: The Company

12-3 Summary of the Company's Bylaws

12-3-1 The Company's Objectives, Duration and Head Office

A. Objectives of the Company

The Company undertakes and performs the following objectives:

1) Manufacture of pipes.

2) Manufacture of pipes, tubes and hollow shapes from iron and steel.

3) Manufacture of tubes, pipes, hollow forms, and pipes and tubes connections.

Processing and painting metals by refinement and polishing.This is under Ministry of Investment License No. 121031118992 dated 22/07/1431H (corresponding to 04/07/2010G).

B. Company's Term

The term of the Company shall be ninety-nine Gregorian years starting from the date of issuance of its registration in the Commercial Register as a joint stock company. The Company's term may be extended pursuant to a resolution adopted by the ExtraOrdinary General Assembly at least one year prior to the expiry of the term.Ordinary

C. Company's Headquarters

The headquarters of the Company shall be in the city of Dammam. The Company may open branches within or outside of the Kingdom of Saudi Arabia pursuant to a decision of the Board.

D. Participation and Ownership in Companies

The Company may form companies on its own (limited liability or closed joint stock companies, provided that the capital shall be at least five million Saudi Riyals), and it may also own shares and participation interests in other existing companies or merge with them. The Company may also participate with others to incorporate joint stock companies and limited liability companies in compliance with applicable regulations and directives. The Company may deal with its shares or participation interests provided that it does not engage in the brokerage of the same.

12-3-2 The Company's Administrative and Oversight Affairs and Supervisory Committees

A. Formation of the Board

The Company shall be managed by a Board consisting of eight (8) Directors elected by the Shareholders' Ordinary General Assembly for a period not exceeding three (3) years. As an exception, the Shareholders appointed the first Board of Directors for a term of five (5) years.

B. Termination of Board Membership

The Board membership shall terminate upon the expiry of its term or upon disqualification of a member in accordance with any applicable regulations or directives of the Kingdom of Saudi Arabia. However, the ExtraOrdinary General Assembly may at any time dismiss the members of the Board or any of them without prejudice to such dismissed member's right to compensation if such dismissal occurs without a valid cause or not in a timely manner. A member of the Board may resign provided that his resignation occurs in a timely manner; otherwise, he shall be liable to the Company for any damages caused by such resignation.

C. Board Vacancy

If there is a vacant position in the Board, the Board shall appoint a temporary member to the vacant position based on the order of votes cast by the General Assembly which elected the Board provided that the member filling in the vacant position is experienced and qualified. The Ministry of Commerce, and the CMA in the case of a listed Company, must be notified of such appointment within five (5) working days from the date of appointment and such appointment shall be subject to ratification by the Ordinary General Assembly in its next first meeting. The appointed member shall continue the term of his predecessor. If the number of members of the Board falls below the minimum number required to hold meetings as set out in the Companies Law or these Bylaws, the other members of the Board must call for a meeting of the Ordinary General Assembly within sixty (60) days to elect the required number of board members.

D. Authorities of the Board

Without prejudice to the authorities conferred to the General Assembly, and the and the Board reserved matters, the Board shall have the widest authorities to manage the Company to achieve its objectives. To this end, the Board shall have the right to:

1) Obtain loans and other credit facilities from banks, non banking financial institutions, other bodies corporate and the governmental financial funds and institution.

2) Release the Company's debtors from their obligations and debts.

3) Manage the expenses and income; approve and adopt the financial, administrative and technical policies and the internal regulations of the Company, including the employees' internal regulations.

4) Negotiate, approve, conclude and sign agreements, documents, deeds of any nature whatsoever, including, but not limited to, the articles of association of companies in which the Company participates, along with all its amendments and annexes, and the resolutions of the companies amending any of the provisions of such articles by way of increase or decrease of the capital, entry of new Shareholders or exit of Shareholders, the purchase, sale or transfer of shares, amendment of the provision regarding the management, designation of directors and their powers, amendment of the objectives of the company or its trade name, the conversion of the company and its branches into a joint stock company, the amendment of its legal status, trade name or Fiscal Year, any other amendments made to articles of association or subsequent amendments of any nature whatsoever; sign, document and notarise the resolutions of the Shareholders; represent the Company in attendance, signature and voting; accept offices and functions in the constituent, Ordinary and ExtraOrdinary assemblies of the pubic or closed joint stock companies in which the Company participates; have the right to purchase, sell and transfer the shares; attend the Shareholders assemblies; vote the agenda; sign the resolutions of liquidation, contracts and acknowledgments before the notary public and other official bodies; participate in tenders on behalf of the CompanyShareholderShareholderOrdinaryOrdinaryExtraOrdinaryShareholder.

5) Complete all banking transactions, set off and make money transfers; sign all documents required therefor; open, manage, operate and close bank accounts; withdraw and deposit money; open, settle and close all documentary credits; receive, deposit and issue cheques; sign all receipts, clearance, discharges, acknowledgements, order notes, cheques and all securities and agreements on stock derivatives transactions and the annexes thereof; conclude murabaha contracts and tawarruq agreements, in addition to all required documents and authorisations attached thereto; sign all types of bank facilities, loans and transactions; sign in the name and on behalf of the Company all the documents required therefor and sign treasury agreements; issue bank guarantees of all kinds, including, but not limited to, mortgages, order notes, shares certificates and other cash and in-kind guarantees; sign all types of order notes, bills and commercial securities instruments.

6) Represent the Company before secretariats and municipalities to open shops for the Company; obtain, renew, cancel and transfer licences; assign them in favour of third parties; obtain construction or restoration authorisations; obtain construction completion licences; obtain health cards; and put a plan for the lands owned by virtue of a deed.

7) Represent the Company before the Directorate General of Immigration and Passports to transfer the workers' sponsorship to the Company; obtain copy of visas in case of loss or wear; add dependants to the passports of expatriates; terminate the employment; manage the expatriates' affairs; review the affairs of maids; obtain and renew residence permits; obtain copies of work, exit, return and final exit permits in case of loss; transfer the sponsorship; transfer information; update data; waive employment contracts; amend the profession; report escape; cancel the escape reports; revoke exit, return and final exit permits; obtain a visitor visa extension; obtain an extract of the data statement; review the deportation and expatriates' affairs; complete all the procedures in case of death of a worker and obtain the permit to return his body to his country.

8) Represent the Company before the Labour Office to update the workers' data; terminate and revoke employment contracts; report escape of workers; complete labour procedures with the General Organization for Social Insurance; refer to the Automation Department in the Ministry of Labour to dismiss or employ workers; add or remove Saudi nationals; receive Saudization certificates; open, renew and cancel main and secondary files; transfer, liquidate or cancel the ownership of facilities; consult the Department of Recruitment Offices; obtain visas; receive compensation for visa fees; transfer sponsorship; amend professions; obtain work permits; report escape; open files; activate the Saudi portal and upgrade to the second level.

9) Represent the Company before the General Directorate of Traffic with regard to the issuance and renewal of the Company's vehicles licences; issuance of copies in case of loss or wear; issuance, renewal and cancellation of vehicle plates; receipt of the value thereof; issuance of authorisations to drive the vehicles; objection thereto; settlement and resolution of disputes; extraction of data on cars and offences.

10) Represent the Company before the Customs Office for the issuance and renewal of custom licences; opening, transfer and closing of branches; clearance of goods related to the Company's activity; payment of fees; receipt of exemptions and custom card; extraction of a copy of the custom card in case of loss; management and supervision of the authorisation.

11) Apply for all licences required for the activity of the Company, main and ancillary commercial registers and copies in case of loss; make a notation of any change made thereto by way of addition, deletion, amendment, designation or write-off; the board shall also have the right to sign before all Chambers of Commerce and Industry in the Kingdom of Saudi Arabia and abroad; to delegate or dismiss whoever it deems appropriate with all Chambers of Commerce and Industry in the Kingdom of Saudi Arabia and abroad; negotiate with companies, institutions, governmental authorities and individuals with regard to any contracts; sign the latter; take any decisions thereon; submit and receive offers, bids and tenders; accept or reject the awarded projects; attend the tender bidding session; sign all contracts on behalf of the Company.

12) Represent the Company in attending Board'smeetings to discuss and vote on its behalf or authorize the attendance and voting to any party, appoint lawyer, law firms or third party individuals by proxy issued by the notary public or authorization and revoke such appointment to represent the Company and act on its behalf.

13) Conclude, renew, terminate, transfer and revoke lease or rent contracts; collect the rent on behalf and in favour of the Company; negotiate, approve and sign all kinds of contracts, documents and insurance policies; purchase and accept lands and properties and transfer the ownership thereof; receive and deliver instruments; obtain title deeds for all of the Company's properties; waive the missing area; amend the name of the owner; purchase; mortgage or clear mortgage; offer or accept donations; build and parcel lands; obtain a copy of the deed in case of loss or wear; annex areas adjacent to the land; convert feet to meters in the deed; transform an agricultural land into a housing or commercial land; amend boundaries, length, overall area, parcel number, file number, deed number and date, district name, plan number, owner name and civil register number; prove the existence of the building and receive the deed; participate in real estate contributions; purchase and sell shares in the real estate contributions; sign before the notary public and courts in connection therewith.

14) Represent the Company in the purchase, sale and acceptance of ownership transfer; pay the price of properties and lands; accept donations and transfer of ownership; receive deeds, update and include them in the comprehensive system; perform all receipt and delivery procedures; consult all relevant and concerned authorities; complete all required procedures and sign any document in connection therewith; acknowledge purchase, sale and discharge; sign all letters, transactions, documents, contracts, preliminary and final agreements; sign before and consult the notary public or courts in the Kingdom of Saudi Arabia to approve the transfer of ownership, purchase and sale of properties and lands; perform all procedures in connection therewith before the notary public and its branches; record and clear property liens; pay all due fees, taxes and penalties.

15) Represent the Company before the courts to obtain all required permits and instruments, including the property sale permit, property purchase permit, property ownership transfer permit; property parcelling and merger permit, property lien permit, property construction permit and property investment permit.

16) Provide financial support to any of its subsidiaries and affiliates and guarantee the credit facilities obtained from any of its their subsidiaries.

17) Sign all types of bank facilities, loans and transactions and sign in the name and on behalf of the Company all the documents required therefor.

18) Approve internal, financial, administrative and technical regulations, and policies and procedures related to the staff.

19) Appoint qualified and experienced executives officers of the Company and determine their responsibilities and compensation.

20) Authorise the Company's executives to sign on behalf of the Company subject to the rules and controls set by the board of directors.

21) Appoint and dismiss the Company's employees, apply for visas, recruit foreign labour, conclude employment contracts and define their salaries.

22) Approve the establishment or the closure of branches, offices, agencies of the Company, appoint their directors, define their remunerations and salaries, dismiss them; sell, purchase and mortgage all the shares, stocks, equities and interest in any of the affiliates or any part thereof.

23) Approve investments in companies in the Kingdom of Saudi Arabia and abroad, whether directly or indirectly; sell and purchase shares, instruments and bonds in the companies in which the Company participates.

24) Approve investments, acquisitions and subscriptions for all securities, participation interests and shares in companies, in addition to the negotiable shares and all kinds of instruments in the Kingdom of Saudi Arabia and abroad.

The Board may, within the limits of its powers, authorise and delegate to one or more of its members or the Chairman of the Board or the Managing Director or the general manager or a third party or employees to undertake a specific function or functions, and revoke such delegations in whole or in part. Furthermore, proxies and representatives may also authorise and delegate others.

The Board shall have the exclusive power to make a one-off deviation from from governance policies on annual business plan, bids, procurement, financial borrowings and human resources.

E. Authorities of the Chairman, Managing Director and Secretary

The Board shall appoint from amongst its members a Chairman, and may also appoint a Managing Director. The Chairman may not hold any other executive position in the Company.

The Chairman shall have the power to convene the Board and to preside over its meetings. The Board shall vest the Chairman or the Managing Director (if appointed) with specific authorities by virtue of a resolution, proxy or power of attorney. The Chairman shall represent the Company before courts, arbitration tribunals and third parties, in accordance with article eighty-two of the Companies Law. The Chairman may also delegate some of his powers to Board members or others to carry out specific tasks..

In addition to the remuneration received in their capacity as Board members, the Chairman and the Managing Director (if appointed) shall receive a remuneration approved by the Board.

The Board shall also appoint a Secretary from amongst its members or third parties. The Secretary shall attend meetings of the Board, its committees and meetings of the General Assembly and record all the proceedings of the meetings in books to be kept for that purpose and his remuneration shall be set by the Board.

The term of the Chairman, the Managing Director (if appointed) and the Secretary of the Board shall not exceed the term of their Board membership and they may be re-elected. Any or all Board members may be dismissed at any time without prejudice to their rights to compensation if such dismissal is without a valid cause or not in a timely manner.

F. Remuneration of Board Members

The remuneration paid to the Board shall be approved by the Board in accordance with the limitations set by the Companies Law and its Implementing Regulations. The Board's report submitted to the Ordinary General Assembly meeting shall include a detailed statement of all remuneration, allowances and other benefits received by the members of the Board during the Fiscal Year. The report shall also include a statement of the amounts received by the members of the Board in their respective capacities as employees or executives for technical, administrative or consultancy services provided by them. In addition, the report shall include the number of Board meetings and attendance record of each member as of the last meeting of the General Assembly.

G. Board Meetings

The Board of Directors shall convene at least every quarter upon an invitation of the Chairman. Such invitation shall be in writing and delivered by hand or fax or sent by registered mail, facsimile or email not less than fifteen (15) working days prior to the date set for the meeting. The Chairman of the Board shall call for a meeting whenever requested by two Board members.

No matter shall be discussed and/or resolved at any meeting of the Board except for those matters specififcally provided for in the notice convening that meeting, unless seventy five percent (75%) of the directors (or their alternates) agree otherwise.

H. Quorum of Board Meetings

A Board meeting shall not be valid unless attended by three-fourths of the members, and not less than four (4) non-delegator Directors. If such quorum is not achieved, a second meeting shall be held on the date falling five (5) business days after the date of the first meeting. A member of the Board may delegate to another member to attend Board meetings on his behalf subject to the following conditions:

1) A member of the Board may not attend the same Board meeting on behalf of more than one Board member;
2) A proxy shall be in writing and for a specific Board meeting; and
3) A Board member acting by proxy may not vote on resolutions on which his appointor is prohibited from voting under the law.

The Board may hold its meetings over the phone or by any other electronic communication means allowing the present members to hear the other members present. Unless otherwise notified, the Chairman may assume, for the purposes of the quorum, that the Board member participating over the phone or by any other electronic communication mean is present throughout the duration of the meeting. The Chairman of the meeting shall summarise the decisions of the Board at the end of the meeting.

Except for resolutions of the Board, except for the Board reserved matters listed in Article 18(b) of the Bylaws, are to be adopted by the majority vote of the Board members present (in person or by proxy) at a duly convened and quorate Board meeting. Resolutions with respect to the Board reserved matters listed in Article 18(b) of the Bylaws shall be adopted by the majority vote of (75%) of the Board members present (in person or by proxy) aat a duly convened and quorate Board meeting. In the case of an equality of votes, the Chairman of the Board shall not have a casting vote. The Board may adopt its resolutions by circulation to each Board member unless one Board member requests in writing a meeting for deliberations on such a resolution. Resolutions by circulation shall be adopted with the unanimous approval of the Board members and shall be brought before the Board in its next first meeting.

I. Exclusive Powers of the Board of Directors

The Board shall have the exclusive power to:

1) Make a one-off deviation from or amendment to governance policies in relation to the annual business plan, tenders, procurement, financial borrowings and human resources.
2) Commence litigation or arbitration proceedings on behalf of the Company.
3) Settle, compromise or dispose of any claims or actions brought against the Company exceeding one million Saudi Riyals (SAR 1,000,000), or the equivalent amount in any other currency.

Board resolutions related to its exclusive powers shall be passed by a majority of 75% of the votes of the Directors present or duly represented in the meeting.

J. Board Deliberations

The deliberations of the Board and its resolutions shall be recorded in minutes of meeting signed by the Chairman, the attending Board members and the Secretary. Such minutes shall be recorded in a special register, signed by the Chairman and the Secretary.

K. Audit Committee

An audit committee shall be formed pursuant to a resolution of the Ordinary General Assembly consisting of not less than three members and no more of five members. Such members shall not be executive members of the Board, irrespective of whether they are Shareholders or not. Such resolution shall specify the committee's responsibilities, proceedings and remuneration of its members.

L. Quorum of Audit Committee Meetings

A meetings of the committee shall be valid if attended by the majority of its members. The committee's resolutions shall be passed by the vote of the majority of the members present. In the case of an equality of votes, the Chairman of the committee meeting shall have a casting vot.

M. Competencies of the Audit Committee

The committee shall be responsible for monitoring the Company's operations. The committee shall have the right to review the Company's records and documents, and it may request any clarifications or reports from the members of the Board or the executive management. It may request the Board to convene a General Assembly if the Board hinders the committee's performance of its duties or if the Company sustains significant losses or damages.

N. Reports of the Audit Committee

The Audit Committee must review the Company's financial statements, reports and comments thereon submitted by the auditor and provide its opinion and comments in that regard, if any. It shall also prepare a report on the effectiveness of the internal audit process of the Company and other roles performed by the committee within its scope of competence. The Board of directors shall make available to Shareholders at the headquarters of the Company sufficient copies of such report at least twenty-one (21) days before the date of the General Assembly. The report shall be read out during the assembly.

O. Appointment of the Auditor

The Company shall appoint one (or more) auditors from among those licensed to practise in the Kingdom of Saudi Arabia. Such auditor shall be appointed annually and his compensation shall be determined by the General Assembly. The General Assembly may at any time replace the Company's auditor without prejudice to his right to compensation if such replacement occurs without a valid cause or not in a timely manner.

P. Competence of the Auditor

The auditor shall at all times have access to the Company's books, records and any other documents and may seek information and clarification as he considers necessary to examine the Company's assets, liabilities and any other matter within the scope of his competence. The Chairman of the Board shall facilitate the auditor to perform his task. If the auditor faces difficulty in that respect, he must note this in his report to the Board. If the Board fails to facilitate the auditor to perform his task, the auditor shall request the Board to convene an Ordinary General Assembly to consider the matter.

Q. Fiscal Year

The Company's Fiscal Year shall start on the 1st of April and end on the end of March if each calendar year. Provided that the first Fiscal Year begins from the date of its registration in the commercial register as a joint stock company until the end of March of the next year.

R. Financial Documents

1) The Board shall, at the end of each Fiscal Year, prepare the Company's financial statements and a report on the Company's activities and its financial position for the previous Fiscal Year. The report shall include a recommendation on the method of dividends distribution. The Board shall make such documents available to the auditor at least forty-five (45) days prior to the date set for holding the General Assembly.

2) The documents described in paragraph (1) above shall be signed by the Chairman of the Board, the Chief Executive Officer and the Chief Financial Officer. Copies of such signed documents shall be made available to the Shareholders at the Company's headquarters at least twenty-one (21) days prior to the date set for holding the General Assembly.

3) The Chairman of the Board shall provide the Shareholders with the Company's financial statements, the Board's report and the auditor's report unless they were published in a local newspaper circulated in the city where the Company's headquarters are located. The chairman shall send copies of the above-mentioned documents to the Ministry of Commerce, and the CMA in the case of a listed Company, at least fifteen (15) days prior to the date set for holding the General Assembly.

12-3-3 Rights and Restrictions Related to Securities

A. The Company's Capital

The Company's capital is set at two hundred ten million Saudi Riyals (SAR 210,000,000) divided into twenty-one million (21,000,000) shares with an equal nominal value of ten Saudi Riyals (SAR 10) each, all of which are Ordinary shares.

B. Share Subscription

The Shareholders have subscribed for all the shares in the capital comprisingtwenty-one million (21,000,000) paid in full shares, with a total value of two hundred ten million Saudi Riyals (SAR 210,000,000).

C. Sale of Unpaid Shares

The Shareholder shall pay the value of the share on the specified dates. If any Shareholder fails to pay on time, the Board may, after notifying such Shareholder of his default by registered mail, sell his share either in a public auction or on the stock market, as the case may be, in accordance with the conditions prescribed by the competent authorities. The Company shall recover the due amount from the proceeds of such sale and return the remaining balance to the holder of the share. If the proceeds raised from such sale are insufficient to cover the due amount, the Company may recover the unpaid balance from the Shareholder's assets. However, the defaulting Shareholder may pay the value of his share until the date of the intended sale of such share and he shall also pay all related expenses incurred by the Company. The Company shall cancel the share sold pursuant to the terms of this Article and provide the buyer with a new share with the same number as that of the cancelled share. A note shall be recorded in the share register regarding the sale, including the name of the new owner.

D. Share Register

The Company's shares shall be traded through a recordation in the share register prepared or procured by the Company which shall include the names of the Shareholders, their nationality, occupation, address, the serial numbers of their shares and their paid-up value. The note of sale shall be made on the share certificate. The transfer of ownership of a nominal share shall not be effective vis-à-vis the Company or third parties except from the date of such recordation in the said register.

E. Trading of Shares

The shares subscribed by the Shareholders may not be traded until after the issuance of financial statements for two consecutive Fiscal Years, each being not less than twelve months from the date of the Company's conversion. A note shall be recorded on the certificates of such shares indicating the type of share, the date of the Company's conversion and the period during which they may not be traded.

However, during the Lock-up Period the ownership of the shares may, in accordance with the requirements of sale of shares, be transferred from one Shareholder to another Shareholder or from the heirs of a deceased Shareholder to a third party or in the event of an execution order being issued against the assets of a bankrupt or insolvent Shareholder provided that the other Shareholders shall have the pre-emptive right to purchase such shares. The provisions of this Article shall apply to shares subscribed by the Shareholders in the event of a capital increase before the expiry of the Lock-up Period.

F. Distribution of Dividend

The Company's annual net profits shall be distributed in the following manner:

1) Ten percent (10%) of the annual net profits shall be set aside to form a statutory reserve. The Ordinary General Assembly may resolve to discontinue such allocation when the reserve reaches thirty percent (30%) of the paid-up capital..
2) Upon recommendation of the Board, the Ordinary General Assembly may resolve to set aside a percentage of the annual net profit to form a contractual reserve allocated to a specific purpose.
3) The Ordinary General Assembly may create additional reserves to the extent required for the Company's interests or to ensure the regular distribution of dividends to the Shareholders. The assembly may also deduct such amounts from the net profit as necessary to establish social institutions for its employees or to assist any existing similar institutions.
4) The Board may distribute a specific percentage of the remaining balance to the Shareholders and the Company may distribute semi-annual and quarterly profits after compliance with the requirements set by the compentent authorities.

G. Dividend Entitlement

Subject to the provisions set forth in Article 19 of the Company's Bylaws and Article 76 of the Companies Law, up to 10% of the balance shall be set aside to remunerate the Board of Directors, provided that such remuneration is proportionate to the number of meetings attended by each Director.

Distribution of Preferred Shares Dividends

If no dividends are distributed for any financial year, dividends shall not be distributed for the coming years until the percentage stated in Article 114 of the Companies Law is paid to holders of preferred shares for such year.

H. Liability Action

Each Shareholder shall have the right to file an action for liability, vested in the Company, against the members of the Board if a wrongful act committed by them caused harm to such Shareholder. Nonetheless, the Shareholder may institute such action only if the Company's right to institute such action is still valid and after notifying the Company of his intention to do so.

12-3-4 Amendment of Share Rights or Classes

A. Issuance of Shares

The shares shall be nominal shares and may not be issued at less than their nominal value but may be issued at a value higher than said nominal value. In this case, the difference in value shall be added as a separate item within the Shareholders' equity, and may not be distributed as a Shareholder dividend. Shares shall be indivisible vis-à-vis the Company. In the event that a share is owned by several persons, they shall select one person amongst them to exercise, on their behalf, the rights pertaining to said share, and shall be jointly responsible for the obligations arising from ownership of said share.

B. Increase of Capital

1) The ExtraOrdinary General Assembly may resolve to increase the Company's capital, provided the capital has been paid up in full. It is not necessary for the capital to be paid in full if the unpaid portion of the capital results from the issuance of shares through the conversion of loan instruments and sukuks into shares and the conversion period has not expired yet.

2) In any event, the ExtraOrdinary General Assembly may allot all or part of the shares issued as a result of capital increase to the employees of the Company or of all or any of its subsidiaries. The Shareholders may not exercise their pre-emptive rights in respect of the shares allotted to such employees. Ordinary

3) Upon the issuance of a resolution by the ExtraOrdinary General Assembly to increase the capital, the Shareholders shall have the pre-emptive right to subscribe in cash for the newly issued shares. The Shareholders shall be notified of their pre-emptive right by notice published in a daily newspaper or by registered letter. Such notice shall include the resolution to increase the capital, the terms of subscription, the subscription period and the start and end dates of subscription. A Shareholder may, in accordance with the conditions of the competent authority, sell or waive his pre-emptive rights during the period between the issuance of the General Assembly's resolution approving the capital increase and the final day of subscription for the new shares.

4) Without prejudice to paragraph 3 above, the new shares shall be allotted to the holders of pre-emptive rights proportionate to the percentage of the pre-emptive rights they hold out of the total pre-emptive rights arising from the capital increase provided that they do not receive new shares greater than the number of shares they applied for. The remaining new shares shall be distributed to the holders of pre-emptive rights who applied for shares greater than the number of shares they are entitled to relative to the percentage of the pre-emptive rights they hold out of the total pre-emptive rights arising from the capital increase provided that they do not receive new shares greater than the number of shares they applied for. Any remaining shares shall be offered to third parties, unless otherwise is resolved by the ExtraOrdinary General Assembly or provided for in the Capital Market Law.Ordinary

C. Decrease of Capital

The ExtraOrdinary General Assembly may resolve to decrease the capital if it is in excess of the Company's needs or if the Company sustains losses. In the latter case only, the capital may be decreased below the statutory limit set out in Article 54 of the Companies Law. Such resolution shall be issued only after reading the auditor's report on the reasons necessitating such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations.

If the capital is decreased due to being in excess of the Company's needs, the Company's creditors must be invited to express their objections thereto within sixty days from the date of publication of the resolution to decrease the capital in a daily newspaper circulated in the area where the Company's headquarters are located. If any creditor objects and presents to the Company documentary evidence of his debt within the time limit set out above, the Company must pay his debt, if already due, or provide a sufficient guarantee of payment if the debt is due on a future date.

12-3-5 General Assemblies

A. Assembly Attendance

Each Subscriber, whatever the number of shares held, shall have the right to attend the Conversion Assembly, and each Shareholder shall have the right to attend General Assembly meetings. They may also authorize a third party, other than Directors or Company employees, to attend the General Assembly on their behalf.

B. Conversion Assembly

The Shareholders shall invite all subscribers to convene a conversion assembly meeting within forty-five (45) days from the date of issuance of a ministerial resolution authorising the conversion of the Company. The meeting shall be valid if attended by the subscribers representing at least half of the capital. If such quorum is not achieved within thirty minutes from the time fixed for the meeting, the founding Shareholders shall call for a second meeting to be held not earlier than fifteen (15) days from the date of the invitation. In any event, the second meeting shall be valid regardless of the number of subscribers represented at the meeting.

C. Powers of the Conversion Assembly

The Conversion Assembly shall have the powers set out in Article 63 of the Companies Law.

D. Competencies of the Ordinary General Assembly

Except for the matters reserved for the ExtraOrdinary General Assembly, the Ordinary General Assembly shall be competent in all matters concerning the Company, including, but not limited to, the following mattersOrdinary:

1) Appointment and removal of Directors.
2) Permitting a Director to have direct or indirect interest in business and contracts executed for the Company's account, according to the Companies Law and its implementing regulations.
3) Permitting a director to take part in any activities that may lead to competition with the Company, or competition in any of its activities, according to the Companies Law and its implementing regulations.
4) Monitoring the compliance of the directors with the provisions of the Companies Law, its implementing regulations, other relevant laws and the Company's Bylaws; inspecting any damage that may occur as a result of their violation of such provisions or mismanagement of the affairs of the Company; determining the liability resulting therefrom and undertaking the procedures it deems proper in this regard pursuant to the Companies Law and its implementing regulations.
5) Forming the Audit Committee pursuant to the Companies Law and its implementing regulations.
6) Approving the Company's financial statements.
7) Approving the Board's report.
8) Deciding on the proposals of the Board with respect to the method of distributing the net profits.
9) Appointing, the external auditors of the Company, specifying their remunerations, reappointing them, replacing them and approving their reports.

10) Looking into the violations and errors committed by the external auditors of the Company when performing their duties and any difficulties, reported by the Company's external auditors, regarding their empowerment by the Company's Board or management to review the books, records and other documents, statements and clarifications required to perform their duties, and responding thereto as it deems appropriate in this regard.

11) Resolving to suspend setting aside the statutory reserve when it reaches 30% of the Company's paid share capital, and resolving to distribute the surplus of such percentage to the Company's Shareholders in financial years where the company does not generate net profits.

12) Using the Company's consensual reserve, if such has not been set aside for a specific purpose, provided that using such reserve shall be based on a proposal submitted by the Board and used in ways that benefit the Company or the Shareholders.

13) Forming reserves reserves besides the statutory reserve and consensual reserve and disposal thereof .

14) Setting aside amounts from the Company's net profits to set up social organisations for the benefit of the Company's employees or to assist any such existing establishments in accordance with article 129 of the Companies Law.

15) Approving the sale of more than fifty percent (50%) of the assets of the Company, whether in one or several transactions within a period of 12 months from the date of the first selling transaction. In case selling these assets includes what falls within the powers of the ExtraOrdinary General Assembly, the approval of the ExtraOrdinary General Assembly is requiredOrdinary.

16) The declaration or payment by the Company of any dividend or the making of any distribution.

17) The publication or dissemination of any information concerning any separate agreement between the Shareholders or the business and affairs of the Company except for information published in the Ordinary and normal course of the operation or management of the business and unless required by a relevant government authority or competent court or stock exchangeOrdinary.

18) The making of any change to the Company's bankers or the registered office of the Company.

The Ordinary General Assembly shall be convened at least once a year within six months after the end of the Company's Fiscal Year. Additional meetings of the Ordinary General Assembly may be convened whenever needed.

E. Competencies of the ExtraOrdinary General Assembly

The ExtraOrdinary General Assembly shall be competent with respect to the following matters:

1) Amending the Company's Bylaws, except for amendments which are deemed null and void pursuant to the provisions of the Companies Law.

2) Increasing the Company's share capital in accordance with the situations provided by the Companies Law and its implementing regulations.

3) Decreasing the Company's share capital if it exceeds the Company's needs or in the event the Company incurs financial losses, in accordance with the situations provided by the Companies Law and its implementing regulations.

4) Resolving to form a consensual reserve for the Company as provided for in the Bylwas for a specific purpose.

5) Resolving to maintain or liquidate the Company before the end of the term specified in these Bylaws.

6) Approving the Company's share buy-back of shares.

7) Issuing preferred shares, approving their buying, or converting Ordinary shares into preferred shares or converting preferred shares into Ordinary shares as per the Bylaws and the regulatory rules and procedures issued pursuant to the Companies Law relating to listed joint stock companies.

8) Issuing debt instruments or financing deeds convertible into shares, and stating the maximum number of shares that may be issued against these instruments or deeds.

9) Allocating shares that are issued upon the capital increase or part of them for the employees of the Company, and its affiliates or some of them, or any of them.

10) Suspending pre-emptive rights of Shareholders in subscribing for the capital increase in exchange for cash or giving priority to non-Shareholders in cases as deemed in the interest of the Company.

11) Approving any of the matters set out in the Board reserved matters in Article 18(B) of the Bylaws, which has not been resolved by the Board in two consecutive Board meetings.

The ExtraOrdinary General Assembly may adopt resolutions on the matters within the competences of the Ordinary General Assembly under the same terms and conditions which apply to the Ordinary General Assembly.

F. Assembly Invitations

General or special assembly of Shareholders shall be convened by Board. The Board shall convene a meeting of the Ordinary General Assembly if requested by the auditor, the audit committee or a Shareholder(s) representing at least five per cent (5%) of the capital. The auditor may convene a meeting of the assembly if the Board has failed to convene it within thirty (30) days from the date of the auditor's requestOrdinary.

The invitation to convene a General Assembly must be published in a daily newspaper circulated in the city where the Company's headquarters are located at least twenty-one (21) days prior to the date set for such meeting. Nonetheless, it shall be sufficient to send the invitation notice in a timely manner to all Shareholders by registered mail, facsimile or email. A copy of the invitation together with the meeting's agenda shall be sent to the Ministry of Commerce, and the CMA in the case of a listed Company, within the timeframe specified for publication.

G. Record of Assemblies Attendance

The Shareholders who wish to attend the general or special assemblies must register their names at the Company's headquarters before date of such assembly. Nonetheless, it shall be sufficient to send the names in a timely manner to the Chairman of the Board by registered mail, facsimile or email.

H. Quorum for Ordinary General Assembly

A meeting of the Ordinary General Assembly shall not be valid unless attended by the Shareholders representing more than fifty percent (50%) of the capital. If such quorum is not achieved within thirty minutes from the time fixed for the meeting, a second meeting shall be held on the date falling thirty (30) days after the date of the first meeting. In any event, the second meeting shall be valid regardless of the number of shares represented thereat..

I. Quorum of ExtraOrdinary General Assembly

A meeting of the Extraordinary General Assembly shall not be valid unless attended by the Shareholders representing at least sixty six point six per cent (66.6%) of the capital. If such quorum is not achieved within thirty minutes from the time fixed for the meeting, a second meeting shall be held on the date falling thirty (30) days after the date of the first meeting.

In any event, the second meeting shall be valid if attended by a Shareholder(s) representing at least one quarter of the capital.

If the quorum for the second meeting is not achieved, an invitation to a third meeting shall be sent to the Shareholders in accordance with the provisions of article (29) of these Bylaws. The third meeting shall be valid regardless of the number of shares represented thereat after obtaining approval of the competent authority.

J. Voting in Assemblies

Each subscriber shall have one vote for each share he represents at the conversion assembly, and each Shareholder shall have one vote for each share in the general assemblies. Cumulative voting shall be used to elect the Board.

K. Resolutions of the Assemblies

Resolutions of the Conversion Assembly shall be adopted by the vote of the absolute majority of the shares represented thereat. Resolutions of the Ordinary General Assembly shall be adopted by the vote of the absolute majority of the shares represented at the meeting. Resolutions of the ExtraOrdinary General Assembly shall be adopted by the vote of at least the two-thirds of the shares represented at the meeting, except in respect of resolutions concerning the increase or decrease of the capital, the extension of the term of the Company, the dissolution of the Company before the expiry of its term stated in these Bylaws or the merger of the Company with another company, in which cases resolutions shall be adopted by the vote of at least the three-quarters of the shares represented at the meeting.Ordinary.

L. Deliberations in the Assemblies

Each Shareholder shall have the right to participate in deliberations of the matters listed in the assembly's agenda and to address questions in respect thereof to the members of the Board and the auditor. The members of the Board or the auditors shall respond to the Shareholders' questions to the extent this does not harm the Company's interests. If the Shareholder considers the response to his question unconvincing, he may refer the matter to the General Assembly and its decision in this regard shall be conclusive and binding.

M. Chairman of Assemblies and Preparation of Minutes of Meeting

The Shareholders' General Assemblies shall be presided over by the Chairman of the Board or his deputy in his absence or a Board member nominated by the Board in the absence of the Chairman and his deputy.

Minutes of the assembly meeting shall be written showing the names of the Shareholders present in person or represented by proxy at such meeting, the number of the shares represented in person or by proxy, the number of votes attached to such shares, the resolutions adopted at the meeting, the number of votes cast for or against such resolutions and a comprehensive summary of the deliberations that took place at the meeting. Such minutes shall be regularly recorded after each meeting in a special register to be signed by the chairman of the assembly, the Secretary and the vote counter.

12-3-6 Liquidation and Dissolution of the Company

A. Company Losses

1) If at any time during the Fiscal Year the Company's losses reach half of the paidup capital, any officer of the Company or the auditor shall, as soon as he becomes aware of such fact, notify the Chairman who shall immediately notify the Board of such losses. The Board shall, within fifteen (15) days of becoming aware of the Company's losses, call for a meeting of the ExtraOrdinary General Assembly to be held within forty-five (45) days from the date of such losses became known to them in order to resolve either to increase or reduce the capital in accordance with the provisions of the Companies Law or to dissolve the Company prior to the expiry of its term specified in Companies LawOrdinary.

2) The Company shall be considered to be dissolved by operation of the Companies Law if the General Assembly is not convened within the period specified in paragraph (1) above, or if the General Assembly is convened but fails to adopt a resolution regarding that matter, or if it resolves to increase the capital in accordance with the provisions of this Article and the shares issued through such increase have not been subscribed in full within ninety (90) days of issuance of the assembly's resolution to increase the capital.

B. Winding-up of the Company

The Company shall enter into liquidation upon its dissolution, and it shall keep its legal personality to the extent necessary for liquidation. A resolution for voluntary liquidation shall be issued by the ExtraOrdinary General Assembly, and such resolution shall include the appointment of a liquidator, determination of his authorities and the timeframe for the liquidation process provided that the time needed for voluntary liquidation shall not exceed five (5) years and it shall not be extended further unless authorised by judicial order. The authority of the Board shall end upon dissolution of the Company. However, the Board shall remain in charge of the Company's management and shall be considered as liquidators vis-à-vis third parties until a liquidator is appointed. The Shareholders' assemblies shall remain active during the liquidation process and their role shall be limited to exercising their powers as long as they do not conflict with the liquidator's authorities.Ordinary.

12-4 Material Agreements

The Company has entered into a number of material agreements and contracts with a number of parties. This section provides a summary of the licenses that the Directors believe are material in relation to the Company's business or that may affect investors' decision to subscribe to the Offer Shares. The summary of agreements and contracts referred to below does not cover all terms and conditions and can not be considered a substitute for the terms and conditions of these agreements.

12-4-1 Customer Agreements

A. Supply Agreement with SWCC for Jubail-Riyadh Water Transmission Project (3)

On 30/12/1439H (corresponding to 10/09/2018G), the Company entered into an agreement with SWCC to manufacture, supply, execute and maintain steel pipe works for the Jubail-Riyadh Water Transmission Project (3) - Batch A1. The term of the agreement is six hundred sixty-nine (669) days, including the preparation period, starting from the date the agreement is executed with the supplier until the date of initial receipt. The agreement was extended for an additional period and delivered on time. The Company obtained a change order on 12/06/1442H (corresponding to 25/01/2021G), whereby an additional quantity of steel pipes was requested. The agreement was extended for three hundred eighty-six (386) days to be delivered within seventy (70) days starting one hundred eightythree (183) days after the date of the change order.

SWCC may terminate the agreement if (i) the Company delays in the commencement ofthe works or fails to complete the work within the specified time; (ii) the Company abandons, assigns or subcontracts the works without the prior approval of SWCC; (iii) the Company violates any of the provisions of the agreement or defaults on fulfilling its obligations thereunder without rectifying its position within fifteen (15) days from the date it receives written notice from SWCC; (iv) the Company grants any gift, loan, compensation or promises thereof, whether itself or through a broker, to any government employee or related person to the business subject of the agreement; or (v) the Company goes bankrupt or applies for bankruptcy or liquidation. In addition, if the Company's work is affected by an event of force majeure as determined by SWCC, SWCC may terminate the agreement upon written notice if the Company suspends its operations for ten (10) consecutive days or more.

The agreement is governed by the applicable laws of the Kingdom, and any disputes arising thereunder shall be settled by the Board of Grievances.

B. Supply Agreement with SWCC for Rabigh-Jeddah/Makkah Water Transmission Project

On 09/07/1439H (corresponding to 26/03/2018G), the Company entered into an agreement with SWCC to manufacture, supply, execute and maintain steel pipe works for the Rabigh-Jeddah/Makkah Water Transmission Project. The term of the agreement is nine hundred thirteen (913) days for the production and supply of the first batch (A1) and five hundred seventy-eight (578) days for the production and supply of the second batch (A2). It was extended for an additional period and delivered on time. The Company received a change order from SWCC under a letter dated 18/07/1442H (corresponding to 02/03/2021G), whereby an order was made to manufacture pipes with diameters of eighty-eight (88) and one hundred (100) inches. The agreement was extended for a period of three hundred ten (310) days, provided that it is delivered within ninety-two (92) days starting one hundred eighty-three (183) days after the date of the change order.

SWCC may terminate the agreement if (i) the Company delays commencement of the works or fails to complete the work within the specified time; (ii) the Company abandons, assigns or sub-contracts the works without the prior approval of SWCC; (iii) the Company violates any of the provisions of the agreement or fails to perform any of its obligations under this agreement without remedying the same within fifteen (15) days from the date it receives written notice from SWCC; (iv) the Company grants any gift, loan, compensation or promises thereof, whether itself or through a broker, to any government employee or related person to the business subject of the agreement; or (v) the Company goes bankrupt or applies for bankruptcy or liquidation. In addition, if the Company's work is affected by an event of force majeure as determined by SWCC, SWCC may terminate the agreement upon written notice if the Company suspends its operations for ten (10) consecutive days or more.

The agreement is governed by the applicable laws of the Kingdom, and any disputes arising thereunder shall be settled by the Board of Grievances.

C. Supply Agreement with SWCC for Yanbu-Madina Water Transmission Project

On 22/12/1439H (corresponding to 02/09/2018G), the Company entered into an agreement with SWCC to manufacture, supply, execute and maintain steel pipe works for Yanbu-Madina Water Transmission Project - Phase A2. The term of the agreement is six hundred sixty-nine (669) days for the alternative offer of Phase A2, including the preparation period, starting from the date the agreement is executed with the supplier until the date of initial receipt. The agreement was extended for an additional period and delivered on time.

SWCC may terminate the agreement if (i) the Company delays in the commencement of the works or fails to complete the work within the specified time; (ii) the Company abandons, assigns or subcontracts the works without the prior approval of SWCC; (iii) the Company breaches any of the provisions of the agreement or fails to perform any of its obligations under this agreement without remedying the same within fifteen (15) days from the date it receives written notice from SWCC; (iv) the Company grants any gift, loan, compensation or promises thereof, whether itself or through a broker, to any government employee or related person to the business subject of the agreement; or (v) the Company goes bankrupt or applies for bankruptcy or liquidation. In addition, if the Company's work is affected by an event of force majeure as determined by SWCC, SWCC may terminate the agreement upon written notice if the Company suspends its operations for ten (10) consecutive days or more.

The agreement is governed by the applicable laws of the Kingdom, and any disputes arising thereunder shall be settled by the Board of Grievances.

D. Aramco Framework Agreement and Purchase Orders with Saudi Aramco

On 08/08/1441H (corresponding to 01/04/2020G), the Company entered into the Aramco Framework Agreement with Saudi Aramco, which sets out the main terms and conditions, including the pricing formula, for the supply of HSAW Pipes and coating services to Saudi Aramco. The agreement is effective until 04/12/1446H (corresponding to 31/03/2025G).

The terms and conditions of this agreement are confidential in accordance with its provisions. The Company did not obtain the approval of Saudi Aramco to disclose the terms and conditions of this agreement in this Prospectus.

E. Purchase Orders with Other Customers

Welspun Coating received a number of purchase orders that are not governed by any separate agreements. The following table sets out the details of the purchase orders in effect as at the date of this Prospectus.

Table (12-4): Purchase Orders with Other Customers as at the Date of This Prospectus

#	Parties	No.	Date	Subject
1.	Mutlaq Al-Ghowairi Contracting Company The Company	MG/W/70/02/001/2021	29/08/1442H (corresponding to 11/04/2021G)	Pipe coating and lining services for Abha Project
2.	Saudi Services for Electro Mechanic Works	JAM-WTS/036/20	20/04/1442H (corresponding to 05/12/2020G)	Pipe coating and lining services for Khobar-Dammam Water Transmission System Project
3.	Welspun Middle East Pipes	WME/GSSTCL-TISCO/Saudi Aramco/2020-21/006/ Rev 01	07/04/1442H (corresponding to 22/11/2020G)	Hot-Rolled Steel Coil services
4.	Welspun Middle East Pipes	WMEIP/Dammam-Khobar/ Rabigh-Jeddah-Makkah/PO No.-07/2020921/Rev 00	30/04/1442H (corresponding to 15/12/2020G)	Hot-Rolled Steel Coil services for the Dammam & Khobar Project
5.	Welspun Middle East Pipes	WME/GSSTCL-TISCO/Saudi Aramco/2020-21/005/ Rev 01	15/05/1442H (corresponding to 30/12/2020G)	Hot-Rolled Steel Coil services
6.	Welspun Middle East Pipes	WMEIP/HADEED/ Rabigh-Jeddah-Makkah/PO No.-08/2020921/Rev 00	13/05/1442H (corresponding to 26/01/2021G)	Hot-Rolled Steel Coil services for Jeddah & Makkah Project

Source: The Company

12-4-2 Transport Agreements

The Company and Welspun Coating rely on third party service providers to transport raw materials to its plants, transport pipes within its plants and warehouses and, in some cases, transport pipes from its plants to customers. The Company and Welspun Coating currently have six (6) effective transport agreements:

A. Transport Agreement with Fahad Al-Sudairi Est.

The Company and Fahad Al-Sudairi Est. entered into a transport agreement ("**Al-Sudairi Transport Agreement**") on 29/06/1441H (corresponding to 23/02/2020G) to rent 12/18m trailers with an operatorto transport pipes from the plant or the storage yard to the customer's site in Abqaiq. AlSudairi Transport Agreement shall remain in effect throughout the duration of the pipeline transfer from the Company's facilities to Abqaiq. Al-Sudairi Transport Agreement may be renewed for another period based on the mutual agreement of both parties.

The rate of the trailer is four hundred fifty Saudi Riyals (SAR 450) per trip. Al-Sudairi Transport Agreement includes nine (9) trips from the Company's facilities to Abqaiq. Fahad Al-Sudairi Est. shall submit invoices to the Company within three (3) days after the end of the month. The Company shall pay the invoices within thirty (30) days from the date of their submission.

It is the responsibility of Fahad Al-Sudairi Est. under the Al-Sudairi Transport Agreement to deliver the pipes to the customer's site in a safe and good condition. Fahad Al-Sudairi Est. shall be liable for any loss or damage of transported items. Fahad Al-Sudairi Est. shall also be responsible for all transport materials required for safe transportation of pipes such as nylon webbing, rubber packing harnesses, etc.

Al-Sudairi Transport Agreement may be terminated by notice if Fahad Al-Sudairi Est. provides work that is unsatisfactory or inconsistent with the provisions of the agreement. In addition, the agreement may be terminated by the Company if any employee of Fahad Al-Sudairi Est. is found to be offering something in any kind to any of the Company's employees.

If Fahad Al-Sudairi Est. withdraws the provision of the service, the Company shall have the right to terminate the agreement at the request of the customer and charge all costs, risks and damages to Fahad Al-Sudairi Est. The Company shall also be entitled to withhold any amounts due as compensation for any breach of implementation.

Any disputes arising from the Al-Sudairi Transport Agreement shall be subject to the jurisdiction of the Saudi courts, especially in Dammam.

B. Transport Agreement with Waleed Mohammed Al-Swat Est. for Contracting and Transport

The Company and Waleed Mohammed Al-Swat Est. for Contracting and Transport entered into a transfer agreement ("**Al-Swat Transport Agreement**") on 21/09/1442H (corresponding to 03/05/2021G) to lease 12m, 18m and 24m trailers with an operator to transport pipes inside the Company's plants and storage yards. Al-Swat Transport Agreement is valid until 01/11/1433H (corresponding to 31/05/2022G), renewable by the mutual agreement of both parties.

Trailer prices are calculated as follows:

- Trailer rental for twelve (12) hours per day with an operator: fourteen thousand, five hundred Saudi Riyals per month.
- Trailer rental for twenty-four (24) hours per day with an operator: twenty-four thousand Saudi Riyals per month.

Waleed Mohammed Al-Swat Est. shall submit invoices to the Company within three (3) days after the end of the month. The Company shall pay the invoices within thirty (30) days from the date of their submission.

Al-Swat Transport Agreement may be terminated pursuant to a fifteen (15) days' notice if Waleed Mohammed Al-Swat Est. provides non-satisfactory business, or is incompliant with the provisions of Al-Swat Transport Agreement. Al-Swat Transport Agreement may be terminated by the Company if any employee of Waleed Mohammed Al-Swat Est. is found to have provided anything to any of the Company's employees.

If Waleed Mohammed Al-Swat Est. withdraws the service of any equipment without prior written notice of sixty (60) days, the Company shall have the right to charge Waleed Mohammed Al-Swat Est. the higher of two thousand Saudi Riyals (SAR 2,000) per day, the market value of the daily rent of the devices and equipment, or the amount of production loss caused by such violation. The Company shall also have the right to deduct amounts due under the invoices of Waleed Mohammed Al-Swat Est. without prior notice.

Any disputes arising from the Al-Swat Transport Agreement shall be subject to the jurisdiction of the Saudi courts, especially in Dammam.

C. Transport Agreement with Amyal Transport

The Company entered into a transport agreement with Amyal Transport ("**Amyal Transport Agreement**") on 19/09/1442H (corresponding to 31/05/2021G) to rent 12m, 18m and 24m trailers with an operator to transport pipes inside the Company's plants and storage yards.

The Amyal Transport Agreement is valid until 01/11/1433H (corresponding to 31/05/2022G), renewable by the mutual agreement of both parties.

Trailer rates are calculated as follows:

- Trailer rental for twelve (12) hours per day with an operator: fourteen thousand, five hundred Saudi Riyals per month.
- Trailer rental for twenty-four (24) hours per day with an operator: twenty-four thousand Saudi Riyals per month.

Amyal Transport shall submit invoices to the Company within three (3) days after the end of the month. The Company shall pay the invoices within thirty (30) days from the date of their submission.

Amyal Transport Agreement may be terminated upon fifteen (15) days' notice if Amyal Transport provides work that is unsatisfactory or inconsistent with the provisions of the Amyal Transport Agreement. In addition, the agreement may be terminated by the Company if any employee of Amyal Transport is found to have granted anything to any of the Company's employees.

If Amyal Transport withdraws the service of any equipment without prior written notice of sixty (60) days, the Company shall have the right to charge Amyal Transport the higher of two thousand Saudi Riyals (SAR 2,000) per day, the market value of the daily rental of the devices and equipment, or the amount of production loss caused by such violation. The Company shall also have the right to deduct amounts due under the invoices of Amyal Transport without prior notice.

Any disputes arising from the Amyal Transport Agreement shall be subject to the jurisdiction of the Saudi courts, especially in Dammam.

D. First Transport Agreement with Rawabit Al Hamroor Company Limited

The Company entered into a transport agreement with Rawabit Al Hamroor Company Limited ("**First Rawabit Transport Agreement**") on 17/10/1439H (corresponding to 01/07/2018G) to rent equipment for transporting pipes within the Company's plants and storage yards. The leased equipment includes a 200 ton crane with a vacuumed pad and an operator and a 150 ton excavator with vacuumed pad and an operator. The First Rawabit Transport Agreement has a term of three (3) years, renewable by the mutual agreement of both parties.

During the term of the First Rawabit Transport Agreement, the Company may not lease the equipment provided by Rawabit Al Hamroor Company under the First Rawabit Transport Agreement from any other supplier unless Rawabit Al Hamroor Company is unable to do so.

The rental rate for each piece of equipment is as follows:

- 200 ton crane with a vacuumed pad and an operator: one hundred sixty thousand, fifty Saudi Riyals (SAR 160,050) per month if the rental term is twenty-four (24) hours per day, and one hundred fifteen thousand, four hundred thirty Saudi Riyals (SAR 115,430) if the rental term is twelve (12) hours per day.
- 150 ton excavator with a vacuumed pad and an operator: one hundred forty-five thousand per month if the rental term is twenty-four (24) hours per day, and one hundred twentyone thousand, two hundred fifty Saudi Riyals (SAR 121,250) per month if the rental term is twelve (12) hours per day.

Rawabit Al Hamroor Company shall submit invoices to the Company within three (3) days after the end of the month. The Company shall pay the invoices within thirty (30) days from the date of their submission.

The First Rawabit Transport Agreement may be terminated upon notice of seven (7) days if Rawabit Al Hamroor Company provides work that is unsatisfactory or inconsistent with the provisions of the First Rawabit Transport Agreement. In addition, the First Rawabit Transport Agreement may be terminated by the Company if any employee of Rawabit Al Hamroor Company is found to have provided anything to any of the Company's employees.

If Rawabit Al Hamroor Company withdraws the service of any equipment without prior written notice of thirty (30) days, the Company shall have the right to charge Rawabit Al Hamroor Company the higher of two thousand Saudi Riyals (SAR 2,000) per day, the market value of the daily rental of the devices and equipment, or the amount of production loss caused by such violation. The Company shall also have the right to deduct amounts due under the invoices of Rawabit Al Hamroor Company without prior notice.

Any disputes arising from the First Rawabit Transport Agreement shall be subject to the jurisdiction of the Saudi courts, especially in Dammam.

E. Second Transport Agreement with Rawabit Al Hamroor Company Limited

The Company entered into a transport agreement with Rawabit Al Hamroor Company Limited ("**Second Rawabit Transport Agreement**") on 10/02/1441H (corresponding to 09/09/2019G) to rent a Terex stacker for transporting pipes within the Company's plants and storage yards. The Second Rawabit Transport Agreement has a term of two (2) years, renewable by the mutual agreement of the two parties.

The rental rates of a Terex stacker with fuel is as follows:

- Rental for twelve (12) hours per day with an operator:
    - Thirty-six thousand Saudi Riyals (SAR 36,000) (for 1-10 days).
    - Fifty-two thousand Saudi Riyals (SAR 52,000) (for 11-15 days).
    - Ninety-six thousand Saudi Riyals (SAR 97,000) (for 16-26 days).

The prices without an operator shall be the prices stated above minus the amount of two thousand Saudi Riyals (SAR 2,000).

- Rental for twenty-four (24) hours per day with an operator:
    - Fifty-one thousand Saudi Riyals (SAR 51,000) (for 1-10 days).
    - Seventy-four thousand Saudi Riyals (SAR 74,000) (for 11-15 days).
    - One hundred thirty-seven thousand Saudi Riyals (SAR 137,000) (for 16-26 days).

The prices without an operator shall be the prices stated above minus the amount of four thousand Saudi Riyals (SAR 4,000).

Rawabit Al Hamroor Company shall submit invoices to the Company within three (3) days after the end of the month. The Company shall pay the invoices within thirty (30) days from the date of their submission.

The Second Rawabit Transport Agreement with may be terminated upon notice of seven (7) days if Rawabit Al Hamroor Company provides work that is unsatisfactory or inconsistent with the provisions of the Second Rawabit Transport Agreement. In addition, the Second Rawabit Transport Agreement may be terminated by the Company if any employee of Rawabit Al Hamroor Company is found to have provided anything to any of the Company's employees.

If Rawabit Al Hamroor Company withdraws the service of any equipment without prior written notice of thirty (30) days, the Company shall have the right to charge Rawabit Al Hamroor Company the higher of two thousand Saudi Riyals (SAR 2,000) per day, the market value of the daily rental of the devices and equipment, or the amount of production loss caused by such violation. The Company shall also have the right to deduct amounts due under the invoices of Rawabit Al Hamroor Company without prior notice.

Any disputes arising from the Second Rawabit Transport Agreement Transports Agreement shall be subject to the jurisdiction of the Saudi courts, especially in Dammam.

F. Third Transport Agreement with Rawabit Al Hamroor Company Limited

The Company entered into a transport agreement with Rawabit Al Hamroor Company Limited ("**Third Rawabit Transport Agreement**") on 13/01/1442H (corresponding to 01/09/2020G) to rent equipment for transporting pipes within the Company's plants and storage yards. The leased equipment includes a 200 ton crane with a vacuumed pad and an operator and a 150 ton excavator with a vacuumed pad and an operator. The Third Rawabit Transport Agreement has a term of five (5) years, renewable by the mutual agreement of both parties.

During the term of the Third Rawabit Transport Agreement, the Company may not lease the equipment provided by Rawabit Al Hamroor Company under the Third Rawabit Transport Agreement from any other supplier unless Rawabit Al Hamroor Company is unable to do so.

The rental rates for each piece of equipment is as follows:

- 200 ton crane with a vacuumed pad and an operator: one hundred sixty thousand, fifty Saudi Riyals (SAR 160,050) per month if the rental term is twenty-four (24) hours per day, and one hundred fifteen thousand, four hundred thirty Saudi Riyals (SAR 115,430) if the rental term is twelve (12) hours per day.
- 150 ton excavator with a vacuumed pad and an operator: one hundred forty-five thousand per month if the rental term is twenty-four (24) hours per day, and one hundred twenty-one thousand, two hundred fifty Saudi Riyals (SAR 121,250) per month if the rental term is twelve (12) hours per day.

Rawabit Al Hamroor Company shall submit invoices to the Company within three (3) days after the end of the month. The Company shall pay the invoices within thirty (30) days from the date of their submission.

The Third Rawabit Transport Agreement may be terminated upon notice of seven (7) days if Rawabit Al Hamroor Company provides work that is unsatisfactory or inconsistent with the provisions of the Third Rawabit Transport Agreement. In addition, the Third Rawabit Transport Agreement may be terminated by the Company if any employee of Rawabit Al Hamroor Company is found to have provided anything to any of the Company's employees.

If Rawabit Al Hamroor Company withdraws the service of any equipment without prior written notice of thirty (30) days, the Company shall have the right to charge Rawabit Al Hamroor Company the higher of two thousand Saudi Riyals (SAR 2,000) per day, the market value of the daily rental of the devices and equipment, or the amount of production loss caused by such violation. The Company shall also have the right to deduct amounts due under the invoices of Rawabit Al Hamroor Company without prior notice.

Any disputes arising from the Third Rawabit Transport Agreement Transports Agreement shall be subject to the jurisdiction of the Saudi courts, especially in Dammam.

12-4-3 Financing Agreements

The Company has entered into several financing agreements under which it obtained financing from the Saudi Industrial Development Fund (SIDF) and several commercial banks. Such agreements are summarized below.

A. Credit Facility Agreement with SIDF

The Company entered into a loan agreement with SIDF on 11/05/1435H (corresponding to 12/03/2014G), which was amended on 15/08/1441H (corresponding to 08/04/2020G). Under such agreement, the Company obtained a loan of one hundred twenty-five million, two hundred forty-eight thousand Saudi Riyals (SAR 125,248,000). The Company repaid the loan and released the mortgage provided to SIDF as a guarantee on the Company's plants and all related equipment, movables and auxiliary buildings established on the land leased from Modon with an area of one hundred forty thousand square meters (140,000 sq m).

B. Credit Facility Agreement with Alinma Bank

Table (12-5): Summary of the Provisions of the Facility Contract with Alinma Bank

<table>
<tr><th>Parties</th><td>The Company and Alinma Bank</td></tr>
<tr><th>Date</th><td>26/08/1441H (corresponding to 19/04/2020G)</td></tr>
<tr><th>Total Financing</th><td>SAR 1,120,100,000</td></tr>
<tr><th>Type of Financing</th><td>1. Revolving bid bonds of up to ten million Saudi Riyals (SAR 10,000,000)
2. Revolving final guarantee letters and advance payments of up to fifty million Saudi Riyals (SAR 50,000,000)
3. Revolving on-demand general facilities in relation to government or semigovernment projects with an aggregate limit of one billion, sixty million, one hundred thousand Saudi Riyals (SAR 1,060,100,000) with the following sub-limits:
a. Sub-facilities for the Supply Agreement with SWCC for the Jubail-Riyadh Water Transmission Project (3) with the following sub-limits:
• A non-revolving final guarantee letter in favor of SWCC, with a sub-limit of seventy-four million, fifty thousand Saudi Riyals (SAR 74,050,000).
• A non-revolving advance payment guarantee letter in favor of SWCC with a sub-limit of twenty-nine million, one hundred ninety thousand, nine hundred ninety-seven Saudi Riyals (SAR 29,190,997).
• A revolving loan for Murabaha credits/contributions with a sub-limit of three hundred seventy million Saudi Riyals (SAR 370,000,000).
b. Sub-Facilities for the Saudi Aramco Project under Purchase Order No. 4505837892 through a non-revolving loan for Murabaha credits/contribution with a sub-limit of nineteen million, six hundred ninety-seven thousand Saudi Riyals (SAR 19,697,090).
c. Sub-facilities for the Supply Agreement with SWCC for Jubail-Riyadh Water Transmission Project (3) (a subcontract by Group Five Pipe Saudi Limited) under a non-revolving loan for Murabaha credits/contribution with a sub-limit of one hundred twenty-five million Saudi Riyals (SAR 125,000,000).
d. Sub-facilities for the Supply Agreement with SWCC for Yanbu-Madina Water Transmission Project with the following sub-limits:
• A non-revolving final guarantee letter in favor of SWCC in the amount of nineteen million, nine hundred twenty-four thousand, eight hundred sixteen Saudi Riyals (SAR 19,924,816).
• A non-revolving advance payment guarantee letter in favor of SWCC in the amount of thirteen million, two hundred forty-five thousand, three hundred twenty-three Saudi Riyals (SAR 13,245,323).
• A revolving loan for Murabaha credits/contribution in the amount of one hundred ninety-five million Saudi Riyals (SAR 195,000,000).</td></tr>
<tr><th>Term</th><td>Until 18/09/1442H (corresponding to 30/04/2021G)</td></tr>
<tr><th>Purpose</th><td>1. Financing bid bonds, final guarantee letters and advance payments for governmental and semi-governmental projects.
2. Financing the purchase of raw materials.</td></tr>
</table>

Guarantees	• A promissory note of one billion, one hundred twenty million, one hundred thousand Saudi Riyals (SAR 1,120,100,000). • A performance guarantee by Saleh bin Mohammed bin Hamad Al-Hammadi amounting to 28.50% of the facilities. • A performance guarantee by Mohammed bin Abdulrahman bin Abdullah Al-Othman amounting to 4.99% of the facilities. • A performance guarantee by Welspun Holding amounting to 50.01% of the facilities. • A performance guarantee by Vision Invest amounting to 16.50% of the facilities. • The Company's ongoing assignment of the entitlements of the Pipe Manufacturing and Supply Project for Jubail-Riyadh Water Transmission Project (3) - Batch A1, which was approved by SWCC, to deposit the amounts in an escrow account for the project with Alinma Bank. • The Company's ongoing assignment of the entitlements for Purchase Order No. 4505837892, which was approved by Saudi Aramco, to deposit the amounts in an escrow account for the project with Alinma Bank. • The Company's ongoing assignment of the entitlements for the Pipe Manufacturing and Supply Project for Yanbu-Madina, which was approved by SWCC, to deposit the amounts in an escrow account for the project with Alinma Bank. • An acknowledgement letter from Welspun Corp Limited confirming their knowledge and acceptance of the facilities granted under the Agreement. The letter shall also include an acknowledgement to perform all necessary procedures to provide the performance guarantee. Alinma will assess the possibility of waiving personal guarantees upon acceptance of the IPO application.
Termination	Alinma Bank shall have the right to reduce the limit of, change, link to certain transactions, or cancel the credit facilities at its absolute discretion and notify the Company accordingly.
Material Restrictions	• The Company must notify Alinma Bank of any potential change in the Company's legal form or ownership structure. If Alinma Bank agrees to continue extending the facilities, the Company must submit all necessary documents within fifteen (15) days of such changes. • The Company's Shareholders may not sell or transfer their shares in the Company without the prior written approval of Alinma Bank. • The Company may not distribute any profits without the prior approval of Alinma Bank.

* Note: This Agreement is being renewed as at the date of this Prospectus.

Source: The Company

The Company obtained the written approval of Alinma Bank for the Offering, which involves changing the legal form of the Company, on 01/01/1442H (corresponding to 20/08/2020G).

C. Credit Facility Agreement with SNB

Table (12-6): Summary of the Provisions of the Facility Contract with SNB

Parties	The Company and the Saudi National Bank (SNB)
Date	12/10/1441H (corresponding to 04/06/2020G)
Total Financing	Five hundred thirty million, seventy thousand, four hundred fifty-three Saudi Riyals and seventy-four halalas (SAR 530,070,453.74).

Type of Financing	• General facilities: 1. Commercial loan of up to twenty-seven million Saudi Riyals (SAR 27,000,000). 2. Interest rate swap of up to two million Saudi Riyals (SAR 2,000,000). 3. Foreign currency purchase of up to one million Saudi Riyals (SAR 1,000,000). 4. Overdraft facilities of up to five million Saudi Riyals (SAR 5,000,000). • Facilities related to a SWCC project: 1. Performance letter of guarantee amounting to a maximum of eighteen million, six hundred fifty-six thousand, six hundred ninety Saudi Riyals (SAR 18,656,690). • Facilities related to a SWCC project: 1. A commercial loan of up to four hundred six million, one hundred eighty-three thousand Saudi Riyals (SAR 406,183,000). 2. Local and external sight documentary letters of credit amounting to a maximum of four hundred six million, one hundred eighty-three thousand Saudi Riyals (SAR 406,183,000). 3. Local and external deferred documentary letters of credit amounting to a maximum of four hundred six million, one hundred eighty-three thousand Saudi Riyals (SAR 406,183,000). 4. One-time performance letters of guarantee amounting to a maximum of fifty million, seventy thousand, two hundred fifty-four Saudi Riyals (SAR 50,070,254,46). 5. One-time performance letters of guarantee amounting to a maximum of twenty million, six hundred sixty thousand, five hundred nine Saudi Riyals (SAR 20,160,509.28).
Term	From 12/10/1441H (corresponding to 04/06/2020G) to 10/12/1441H (corresponding to 31/07/2020G), unless the two parties agree in writing to renew or extend the facilities for another period. If, for any reason, SNB allows the facilities to continue to be used under this agreement after the expiry of its term, the facilities shall be subject to all terms and conditions of the last agreement.*
Purpose	1. Finance guarantees required within the ordinary course of business. 2. Finance the purchase of raw materials including steel. 3. Finance short-term needs. 4. Finance the purchase of foreign currencies and hedge against interest rate fluctuations. 5. Finance performance and advance payment letters of guarantee issued to SWCC.
Guarantees	• A promissory note of five hundred thirty million, seventy thousand, four hundred fifty-three Saudi Riyals and seventy-four halalas (SAR 530,070,453.74). • A performance guarantee by Aziz Company amounting to 29.93% of the total facilities. • A performance guarantee by Vision Invest amounting to 20.06% of the total facilities. • A performance guarantee by Welspun Corp Limited amounting to 50.01% of the total facilities. • Assignments to SNB of the entitlements of the SWCC Riyadh Project and the Rabigh-Makkah Water Transmission System Project. SNB will assess the possibility of waiving personal guarantees upon acceptance of the IPO application.
Termination	SNB shall reserve the absolute right to withdraw or cancel the limits of the facilities stated in the contract and declare the outstanding balance due and payable without the approval of the Company if the latter breaches any of its obligations under the contract. SNB shall reserve the right at any time to reduce or cancel all or part of the facilities, change their terms and conditions, or obtain all debit balances from credit balances and/or deposits that the Company may have in an account with SNB, without the prior approval of the Company. The Company shall be notified when any such action is taken. The maturity dates stipulated in the contract shall be canceled and all the Company's obligations shall become due and payable if, among other things: 1. The Company fails or ceases to fulfill its obligations to SNB or third parties in a manner which SNB may consider, at its discretion, has an adverse effect on the Company's financial position. 2. The Company becomes bankrupt, loses its legal entity or capacity, or ceases to conduct its business.

Material Restrictions	• The Company shall give priority to repaying SNB's indebtedness, which amounts to one hundred five million, eight hundred thousand Saudi Riyals (SAR 105,800,000) (including the current account of the shareholders). • The approval of SNB shall be obtained for any change in the legal, financial or administrative status of the Company. • The Company may not distribute any profits without the prior approval of SNB.

* Note: This Agreement is being renewed as at the date of this Prospectus.

Source: The Company

The Company obtained the written approval of SNB for the Offering, which involves changing the legal form of the Company, on 26/01/1442H (corresponding to 14/09/2020G).

12-4-4 Shareholders' Agreement

The Selling Shareholders entered into the Shareholders' Agreement on 30/05/1431H (corresponding to 14/05/2010G) as amended on 09/05/1440H (corresponding to 15/01/2019G). The Shareholders' Agreement regulates the Company's capital and financial affairs, annual budget, financial reports, dividend distribution, Shareholders' meetings, the formation of the Board of Directors, the accounting system and preferential right. Under the agreement, the Company exclusively carries out the business within its scope in the Kingdom, Kuwait, Bahrain, Qatar, Syria, Yemen, United Arab Emirates, Iraq and Oman. The Company has the right of first refusal for any business within such countries vis-à-vis any of the Selling Shareholders. The Shareholders' Agreement was amended on 06/02/1442H (corresponding to 23/09/2020G), whereby the Selling Shareholders agreed to automatically terminate the Shareholders' Agreement upon completion of the Offering.

Under the Shareholders' Agreement, the day-to-day management of the Company's business is conducted by the Company's Chief Executive Officer under the supervision of the Board of Directors. The Company has no arrangements whereby its technical or operational affairs are managed by any of the Selling Shareholders as at the date of this Prospectus (for further information, please refer to Section 4-4 "**Relationship with Welspun Corp Limited**" of this Prospectus).

12-5 Material Agreements with Related Parties

This section sets out a summary of the material agreements with the Directors which they believe are material with respect to the Company's business or may affect the investors' decision to subscribe for the Offer Shares. The summary of agreements and contracts referred to below does not cover all terms and conditions and it can not be considered a substitute for the terms and conditions of these agreements.

The Directors confirm that all agreements with Related Parties described in this section do not include any preferential conditions and have been executed in accordance with the laws and regulations and on an arm's length basis. Except as disclosed in this section of this Prospectus, the Directors confirm that the Company is not bound by any transactions, agreements, commercial relations or real estate transactions with a Related Party, including the Financial Advisor and the Legal Advisor for the Offering.

Moreover, the Directors confirm their intention to comply with Article 72 of the Companies Law and Article 46 of the CGRs issued by the CMA in relation to agreements with Related Parties.

12-5-1 Shareholder Loan Agreements

The Company and Welspun Coating entered into several agreements with Shareholders under which the Shareholders extended loans to the Company and Welspun Coating at a simple interest rate of 5.25% per annum. Shareholder loans shall be valid until the Board confirms that the Company has sufficient free cash flows from operations or the collection of external debts from which Shareholder loans are repaid. Shareholders may also terminate loans and declare that the loan is due and payable upon the appointment of a liquidator, receiver, administrator, officer, or director (or other similar officer or similar action in any jurisdiction) in connection with the Company or a substantial portion of its assets. The details of the loan agreements concluded with Shareholders are as follows:

- A loan agreement dated 17/12/1431H (corresponding to 23/11/2010G) between the Company and Welspun Holding for the amount of one hundred twelve million, three hundred twenty thousand, three hundred twelve Saudi Riyals and fifty halalas (SAR 112,320,312.5).

- A loan agreement dated 17/12/1431H (corresponding to 23/11/2010G) between the and Aziz Factory for the amount of one hundred twelve million, three hundred twenty thousand, three hundred twelve Saudi Riyals and fifty halalas (SAR 112,320,312.5). Aziz Factory transferred its shares in the Company to Aziz Company and Vision Invest, including its rights and obligations under this agreement, pursuant to the Share Transfer Agreement concluded on 09/05/1441H (corresponding to 15/01/2019G).
- A loan agreement dated 17/12/1431H (corresponding to 23/11/2010G) between Welspun Coating and Welspun Holding for the amount of forty-eight million, eight hundred ninety-eight thousand, four hundred thirty-seven Saudi Riyals and fifty halalas (SAR 48,898,437.5). Welspun Coating merged with the Company and all of its assets and liabilities were transferred to the Company by force of law.
- A loan agreement dated 17/12/1431H (corresponding to 23/11/2010G) between Welspun Coating and Arabian Pipe Projects Company for the amount of forty-eight million, eight hundred ninety-eight thousand, four hundred thirty-seven Saudi Riyals and fifty halalas (SAR 48,898,437.5). Welspun Coating merged with the Company and all of its assets and liabilities were transferred to the Company by force of law. The Arabian Pipe Projects Company transferred its shares in the Company to Aziz Company and Vision Invest, including its rights and obligations under this agreement, pursuant to the Share Transfer Agreement concluded on 09/05/1441H (corresponding to 15/01/2019G).

The loan agreements and any disputes or claims arising out of or relating to their subject matter shall be governed by the laws of England and Wales. Any dispute that is not settled amicably shall be submitted to arbitration and finally resolved in accordance with the London Court of International Arbitration Rules.

The Company's Extraordinary General Assembly decided on 13/05/1442H (corresponding to 28/12/2020G) to capitalize the amount of one hundred thirty-three million, nine hundred fifty three thousand, one hundred twenty Saudi Riyals (SAR 133,953,120) from the Shareholder loans under the Shareholder loan agreements. The balance under the Shareholder loan agreements is nine hundred sixty-five thousand, four hundred thirty-eight Saudi Riyals (SAR 965,438) as at the date of this Prospectus. No date is set for the repayment of the Shareholder loans as it is subject to the Company's cash flows.

These contracts are Related Party transactions as they are concluded with the Company's Shareholders. The Directors Balkrishan Gopiram Goenka and Vipul Shiv Sahai Mathur have an interest in the loan agreements with Welspun Holding. The Director Omar Nabil AlMidani has an interest in the loan agreements with Vision Invest, and the Director Mohammed Saleh Al-Hammadi has an interest in the loan agreements with Aziz Company. The Company obtained the approval of the Ordinary General Assembly for these agreements on 06/02/1442H (corresponding to 23/09/2020G).

12-5-2 Corporate Guarantee Commissions

The Company had a number of outstanding balances due to Vision Invest, Aziz Company, Welspun Corp Limited and Mohawarean totaling six million, eight hundred forty-seven thousand, nine hundred forty-four Saudi Riyals (SAR 6,847,944). Such amounts were paid on 20/11/1442H (corresponding to 30/06/2021G) and represent the commissions owed to such companies under the corporate guarantees that they provided for the purposes of the Company's financing contracts. There is no contractual relationship governing such amounts.

These amounts represent Related Party transactions given that Aziz Company, Vision Invest and Mohawarean are direct and indirect Shareholders of the Company. The Director Mohammed Abdullah Rashid Abunayyan also has an interest in Vision Invest. The Directors Balkrishan Gopiram Goenka and Vipul Shiv Sahai Mathur have an interest in Welspun Holding, and the Director Mohammed Saleh Al-Hammadi has an interest in Aziz Company.

The approval of the Company's Extraordinary General Assembly for the corporate guarantee commissions was issued on 04/11/1442H (corresponding to 14/06/2021G).

12-5-3 Storage Service Performance Assignment Agreement

On 08/06/1442H (corresponding to 21/01/2021G), the Company entered into a storage service performance assignment agreement with Welspun Corp Limited. The latter was appointed to execute a purchase order for one of its clients, McDermott Arabia Company Limited, for the supply of LSAW Pipes in Dammam. Welspun Corp Limited waived the performance of storage services under the same purchase order to the Company for a monthly fee of seventy thousand, seven hundred twelve US dollars and thirty cents (USD 70,712.30), equivalent to two hundred sixty-five thousand, one hundred seventy-one Saudi Riyals and twelve and a half halalas (SAR 265,171.125) as at the date of this Prospectus for a period of eighteen (18) months. This Storage Service Performance Assignment Agreement constitutes a Related Party transaction as the Directors Balkrishan Gopiram Goenka and Vipul Shiv Sahai Mathur have an interest in Welspun Corp Limited.

The approval of the Company's Extraordinary General Assembly for the Storage Service Performance Assignment Agreement was issued on 04/11/1442H (corresponding to 14/06/2021G).

12-6 Real Estate

12-6-1 Real Estate Owned by the Company

The Directors confirm that the Company does not own any property as at the date of this Prospectus.

12-6-2 Real Estate Leased by the Company

The following table presents the details of the real estate leased by the Company:

Table (12-7): Real Estate Leased by the Company

#	Lessee	Lessor	Location	Effective Date of the Lease	Annual Rent (SAR)	Lease Term
1.	Modon	The Company	Industrial land with an area of fifteen thousand square meters (15,000 sqm) at the Second Industrial City in Dammam	01/01/1435H (corresponding to 04/11/2013G)	Sixty thousand (60,000) per annum	Valid until 30/12/1457H (corresponding to 28/02/2036G)
2.	Modon	The Company	Industrial land with an area of seventy-eight thousand, nine hundred twelve square meters (78,912 sqm) at the Second Industrial City in Dammam	01/01/1433H (corresponding to 26/11/2011G)	Three hundred fifteen thousand, six hundred forty-eight (315,648)	Valid until 30/12/1457H (corresponding to 28/02/2036G)
3.	Modon	The Company	Industrial land with an area of forty-five thousand, seven hundred forty square meters (45,740 sqm) at the Second Industrial City in Dammam	01/01/1433H (corresponding to 26/11/2011G)	One hundred eighty two thousand, nine hundred sixty (182,960)	Valid until 30/12/1457H (corresponding to 28/02/2036G)
4.	Modon	The Company	Industrial land with an area of eight thousand, one hundred sixteen square meters (8,116 sqm) at the Second Industrial City in Dammam	21/06/1438H (corresponding to 20/03/2017G)	One hundred sixty-two thousand, three hundred twenty (162,320)	Valid until 20/06/1443H (corresponding to 23/01/2022G)

#	Lessee	Lessor	Location	Effective Date of the Lease	Annual Rent (SAR)	Lease Term
5.	Saudi Formica Sheets Company	The Company	Residential buildings at the Second Industrial City in Dammam	16/07/1442H (corresponding to 28/02/2021G)	Eight hundred seventy-five thousand (875,000)	Valid until 26/07/1443H (corresponding to 27/02/2022G), renewable upon the agreement of both parties
6.	Majd Real Estate Development Company Limited*	The Company	A plot of land with an area of six hundred thousand square meters (600,000 sq m) at the Second Industrial City in Dammam	08/08/1437H (corresponding to 15/05/2016G)	Six million, four hundred thousand (6,400,000)	Valid until 07/08/1442H (corresponding to 20/03/2021G)
7.	Fajr Al Ebtekar Contracting Est.	The Company	A residential building with an area of one thousand, two hundred square meters (1,200 sq m) at the Second Industrial City in Dammam	12/12/1441H (corresponding to 02/08/2020G)	Three hundred twenty thousand (320,000)	Valid until 11/12/1444H (corresponding to 29/06/2023G)

*The lease agreement concluded with Majd Real Estate Development Company Limited is under renewal.

Source: The Company

12-7 Intangible Assets

As at the date of this Prospectus, the Company does not own any intangible assets.

12-8 Insurance

The Company maintains insurance policies covering different types of risks associated with its activities. The following table sets out the key particulars of the insurance policies held by the Company:

Table (12-8): The Company's Insurance Policies

#	Type of Coverage	Insurer	Insured	Policy No.	Expiry Date of Coverage	Insured Value / Maximum Compensation
1.	Fidelity Guarantee Insurance	Walaa Cooperative Insurance Company	The Company	E1-21601-000027/0	23/10/1443H (corresponding to 24/05/2022G)	SAR 4,000,000
2.	Machinery Breakdown Insurance	Chubb Arabia Cooperative Insurance Company	The Company	74CHB1 0074/20-04	20/05/1443H (corresponding to 24/12/2021G)	SAR 402,454,314.50
3.	Property All Risk Insurance, Business Interruptions and Raw Materials Insurance	Chubb Arabia Cooperative Insurance Company	The Company	11CHB1 0657/20-04 - 11CHB1 0658/20-04	20/05/1443H (corresponding to 24/12/2021G)	1,426,986,560

#	Type of Coverage	Insurer	Insured	Policy No.	Expiry Date of Coverage	Insured Value / Maximum Compensation
4.	Employees Healthcare	Bupa Arabia for Cooperative Insurance	The Company	413573003	23/07/1443H (corresponding to 24/02/2022G)	SAR 500,000 per employee
5.	Machinery Breakdown Insurance	Chubb Arabia Cooperative Insurance Company	The Company	74CHB1-0074/20-04	20/05/1443H (corresponding to 24/12/2021G)	SAR 309,118,915
6.	Marine Cargo Open Cover	Alinma Tokio Marine Company	The Company	P/10312/1/11101/2020/00009	18/05/1443H (corresponding to 22/12/2021G)	SAR 50,000,000 per cargo
7.	Goods in Transit	Alinma Tokio Marine Company	The Company	P/10312/1/11102/2020/0007	18/05/1443H (corresponding to 22/12/2021G)	SAR 50,000,000 per cargo
8.	Directors & Officers Liability Insurance	Chubb Arabia Cooperative Insurance Company	The Company	60CHB1 0021/20-01	25/05/1443H (corresponding to 29/12/2021G)	SAR 18,750,000
9.	Contractors' plant and Machinery/ Equipment Insurance	Chubb Arabia Cooperative Insurance Company	The Company	70CHB1-0218/20-04	20/05/1443H (corresponding to 24/12/2021G)	SAR 3,850,000
10.	Property All Risk Insurance	Chubb Arabia Cooperative Insurance Company	Welspun Coating*	11CHB1 0658/20-04	20/05/1443H (corresponding to 24/12/2021G)	SAR 89,862,626
11.	Contractors' plant and Machinery/ Equipment Insurance	Chubb Arabia Cooperative Insurance Company	Welspun Coating*	70CHB1-0218/20-04	20/05/1443H (corresponding to 24/12/2021G)	SAR 3,850,000
12.	Cybersecurity Insurance	HDFC ERGO Insurance Company Limited	Welspun Corp Limited (and others including the Company)**	2999203148931101000	11/02/1443H (corresponding to 18/09/2021G)	INR 718,400,000 equivalent to SAR 36,176,271.99 as at the date of this Prospectus
13.	Crime Insurance	HDFC ERGO Insurance Company Limited	Welspun Corp Limited (and others including the Company)**	2999203148823101000	11/02/1443H (corresponding to 18/09/2021G)	INR 359,200,000 equivalent to SAR 18,088,135.99 as at the date of this Prospectus
14.	Management Liability Insurance	HDFC ERGO Insurance Company Limited	Welspun Corp Limited (and others including the Company)**	2999203467802901000	23/02/1443H (corresponding to 30/09/2021G)	INR 2,850,000 equivalent to SAR 143,516.67

* This policy was made in the name of Welspun Coating and was transferred to the Company by force of law upon the merger of Welspun Coating with the Company

** This policy was issued to Welspun Corp Limited and covers other companies, including the Company. The Company is still in the process of procuring its own insurance policies.

Source: The Company

12-9 Litigation and Claims

The Directors confirm that the Company, as at the date of this Prospectus, is not a party to any judicial dispute, arbitration or administrative proceedings that could, individually or collectively, have an adverse effect on its financial position and results of operations. Moreover, they confirm that they are not aware of any threatened lawsuits or claims.

12-10 Description of the Rights of Shareholders

12-10-1 Voting Rights

Each Subscriber shall have one vote for every Share represented thereby in the Conversion Assembly, and each Shareholder shall have one vote for every Share represented thereby in General Assemblies. Cumulative voting shall be used in electing the Board of Directors.

12-10-2 Rights to Dividends

Shareholders are entitled to their share of dividends under a resolution of the General Assembly issued in this regard. The resolution shall specify the date of maturity and the date of distribution. Owners of the shares recorded in the Shareholder Register at the end of the maturity day shall be entitled to dividends.

12-10-3 Rights of Recovery or Repurchase

The Company may purchase its shares, subject to the approval of the Extraordinary General Assembly.

12-10-4 Rights to Surplus Assets upon Liquidation and Dissolution

Pursuant to Article 163 of the Companies Law, shares shall entail equal rights to net profit and liquidation surplus, unless the Articles of Association provide otherwise.

12-10-5 Necessary Approvals to Amend Voting Rights

The Company's Bylaws shall be amended to modify the voting rights and voting mechanism of the Company's General Assemblies. In accordance with Article 30 of the Company's Bylaws, the Extraordinary General Assembly shall be competent to amend the Bylaws. The Extraordinary General Assembly shall be valid only if Shareholders representing at least 66.6% of the share capital are in attendance. If this percentage is not present in the first meeting, the second meeting of the Extraordinary General Assembly shall be valid only if attended by Shareholders representing at least a quarter of the share capital. If the required quorum has not been met in the second meeting, an invitation to a third meeting shall be sent in accordance with Article 31 of the Company's Bylaws. The third meeting shall be deemed valid irrespective of the number of Shares represented therein, upon the approval of the competent authority. Resolutions of the Extraordinary General Assembly on amendments to the Company's Bylaws shall be adopted by a majority vote of two-thirds of the shares represented at the meeting.

13- Underwriting

The Company, Selling Shareholders, and Underwriter (SNB Capital) entered into an underwriting agreement on 20/06/1443H (corresponding to 23/01/2022G) (the "**Underwriting Agreement**"), pursuant to which the Underwriter has agreed, subject to certain terms and conditions contained in the Underwriting Agreement, to fully underwrite all six million, three hundred thousand (6,300,000) Offer Shares. The name and address of the Underwriter are set out below:

13-1 Name and Address of Underwriter

SNB Capital
SNB Regional Building
King Saud Road
P.O. Box 22216
Riyadh 11495
Kingdom of Saudi Arabia
Tel: +966920000232
Fax: +966 11 4060052
Website: www.alahlicapital.com
Email: snbc.cm@alahlicapital.com

13-2 Summary of Underwriting Agreement

Under the terms and subject to the conditions contained in the Underwriting Agreement:

a) The Selling Shareholders undertake to the Underwriter that, on the first business day after allocation of the Offer Shares following the end of the Offering Period, they shall:

   1) sell and allocate the Offer Shares to any Retail Investor or Participating Party whose application for Offer Shares has been accepted by the Receiving Entities, and

   2) sell and allocate to the Underwriter the Offer Shares that are not subscribed by Retail Investors or Participating Parties pursuant to the Offering.

b) The Underwriter undertakes to the Selling Shareholders that it will purchase any Offer Shares that are not subscribed for by Retail Investors or Participating Parties, as set out below:

Table (13-1): Underwritten Shares

Underwriter	Number of Offer Shares to be Underwritten	Percentage of Offer Shares to be Underwritten
SNB Capital	6,300,000	100%

Source: The Company

The Company and Selling Shareholders have committed to satisfy all provisions of the Underwriting Agreement.

13-3 Underwriting Costs

The Selling Shareholders will pay to the Underwriter an underwriting fee based on the total value of the Offering. Moreover, the Selling Shareholders agreed to pay the Underwriter's costs and expenses in connection with the Offering on behalf of the Company.

14- Offering Expenses

The Selling Shareholders shall bear all expenses and costs associated with the Offering, which are estimated at approximately twenty three million five thousand Saudi Riyals (SAR 23,500,000). These expenses include the fees of the Financial Advisor, Underwriter, Lead Manager, Bookrunner, Legal Advisor, Legal Advisor to the Underwriter, Financial Due Diligence Advisor, Auditor, Market Consultant, and Receiving Entities, in addition to marketing, printing, distribution and other related expenses. The expenses will be deducted from the Offering proceeds, and the Company will not bear any costs associated with the Offering.

15- The Company's Post-Listing Undertakings

Following listing, the Company undertakes to:

- Fill out Form 8 (regarding observance of the CGRs). The Company shall provide the relevant justifications if it fails to meet any of the requirements set out in the CGRs.
- Provide the CMA with the date on which the first General Assembly will be held following listing so a representative may attend.
- Submit any business and contracts in which any member of the Board of Directors has a direct or indirect interest to the General Assembly for authorization (in accordance with the Companies Law and the CGRs), provided that the Board member that has the interest is barred from participating in voting on the resolution issued in this regard by the Board and the General Assembly.
- Comply with all mandatory provisions of the Rules on the Offer of Securities and Continuing Obligations, Listing Rules, and the CGRs immediately upon listing.
- Immediately after listing, call for a General Assembly meeting to update the Company's Bylaws.
- Accordingly, following admission to listing, the Directors undertake to:
- Record all resolutions and deliberations in written meeting minutes signed by the Chairman and Secretary.
- Disclose the details of any Related Party transactions in accordance with the Companies Law and the CGRs.

16- Waivers

The Company has not applied for an exemption from the CMA.

17- Subscription Terms and Conditions

The Company has submitted an application to the CMA for the registration and offer of the Shares in accordance with the Rules on the Offer of Securities and Continuing Obligations issued by the CMA Board pursuant to Resolution No. 3-123-2017 dated 09/04/1439H corresponding to 27/12/2017G, based on the Capital Market Law passed by Royal Decree M/30 dated 02/06/1424H, as amended by the CMA Board pursuant to Resolution No. 1-7-2021G, dated 01/06/1442H (corresponding to 14/01/2021G). The Company has also submitted an application to list the Shares on the Exchange in accordance with the Listing Rules issued by the CMA Board pursuant to Resolution No. 3-123-2017 dated 09/04/1439H (27/12/2017G) as amended by Resolution No. 1-22-2021G dated 12/07/1442H (corresponding to 24/02/2021G). All Subscribers must carefully read the subscription terms and conditions before completing the Subscription Application. Signing the Subscription Application Form and delivering it to a Receiving Entity is deemed acceptance and approval of the subscription terms and conditions.

Subscription to the Offer Shares

The Offering will consist of six million, three hundred thousand (6,300,000) ordinary shares at an offer price of eighty Saudi Riyals (SAR 80). The Shares have a fully paid nominal value of ten Saudi Riyals (SAR 10) per share. The Offer Shares represent 30% of the Company's capital. The total value of the Offering is five hundred and four million Saudi Riyals (SAR 504,000,000). Note that the Offering to Retail Investors and listing of the Company's shares thereafter are subject to the successful subscription by Participating Parties for all Offer Shares. The Offering will be canceled if the Offering is not fully subscribed for during this period. The CMA also has the right to suspend the Offering if, after its approval of this Prospectus and before registration and admission to listing of the Shares on the Exchange, a material adverse change has occurred in respect of the Company's operations.

The Offering is restricted to the following two tranches of investors:

Tranche A: Participating Parties: this tranche comprises the parties entitled to participate in the book-building process as specified under the Book-Building Instructions (please see Section 1"**Definitions and Abbreviations**" of this Prospectus). The number of Offer Shares that will be initially allocated to Participating Parties is six million, three hundred thousand (6,300,000) Offer Shares, representing 100% the total Offer Shares. The final allotment will be made after the end of the Offering Period for Retail Investors. In the event that Retail Investors (as defined in Tranche (B) below) subscribe for all Offer Shares allocated thereto, the Bookrunner shall have the right to reduce the number of Offer Shares allocated to Participating Parties to a minimum of five million, six hundred seventy thousand (5,670,000) Offer Shares, representing 90% of the Offer Shares.

Tranche B: Retail Investors: this tranche comprises Saudi Arabian natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi, who can subscribe under their names for her own benefit, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, in addition to any non-Saudi natural person who is resident in the Kingdom or any GCC natural investors, provided they have a bank account with a Receiving Entity and are allowed to open an investment account. A subscription for shares made by a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature is proved to have occurred, the law shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

A maximum of six hundred thirty thousand (630,000) Offer Shares, representing 10% of the total Offer Shares, will be allocated to Retail Investors, provided that Participating Parties subscribe to all the Offer Shares allocated to them. If Retail Investors do not subscribe for all the Shares allocated to them, the Bookrunner may reduce the number of Shares allotted to them in proportion to the number of Shares for which they subscribed.

17-1 Offering Period

Two (2) days, commencing on Monday 21/06/1443H (corresponding to 24/01/2022G) and ending on Tuesday 22/06/1443H (corresponding to 25/01/2022G).

17-2 Subscription Conditions and Method for Each Category of Targeted Investors

17-2-1 Book-Building for Participating Parties

a) The Financial Advisor will determine the price range for the purposes of book-building, which will be made available to all Participating Parties.

b) Each of the Participating Parties must submit an offer to purchase the Offer Shares during the book-building period by filling out and submitting the Bid Form. The Participating Parties may change or cancel their Application Forms at any time during the book-building process, provided that such change is made by submitting an amended or additional Bid Form, where applicable, before the offer price is determined, which will take place prior to the Offering Period. The number of Offer Shares for each of the Participating Parties shall be no less than one hundred thousand (100,000) Offer Shares and no more than one million, forty-nine thousand, nine hundred ninety-nine (1,049,999) Shares, and in relation to public funds only, shall not exceed the maximum limit for each participating public fund, to be determined in accordance with the Book-Building Instructions. The number of shares requested must be subject to allocation. The Bookrunner shall notify the Participating Parties regarding the Offer Price and the number of Offer Shares initially allocated thereto. Subscriptions by Participating Parties shall commence during the Offering Period, which also includes Retail Investors, in accordance with the Subscription Terms and Conditions as detailed in the Subscription Applications Forms.

c) Once the book-building process for Participating Parties is completed, the Bookrunner will announce the subscription percentage for Participating Parties.

d) The Bookrunner and the Company will have the power to determine the Offer Price based on the forces of supply and demand, provided that it does not exceed the price set out in the Underwriting Agreement and that the Offer Price is in accordance with the tick size applied by the Exchange.

17-2-2 Subscription by Retail Investors

Each Retail Investor must subscribe for a minimum of ten (10) Offer Shares and a maximum of two hundred fifty thousand (250,000) ordinary shares. No change or withdrawal of the Subscription Application Forms shall be permitted once the Subscription Application Form has been submitted.

Subscription Application Forms will be available during the Offering Period in some branches of the Receiving Entities. Subscription Application Forms shall be completed in accordance with the instructions mentioned below. Retail Investors who participated in a recent offering can subscribe through the Internet, telephone banking or ATMs of any of the Receiving Entities' branches that offer any or all such services to its customers, provided that:

a) the Retail Investor has a bank account at a Receiving Entity which offers such services;

b) there have been no changes to the personal information or data of the Retail Investor since they last participated in a recent offering; and

c) Retail Investors who are not a Saudi or GCC national must have an account at a Capital Market Institution which offers such services.

Signing a Subscription Application Form and submitting it to the Receiving Entities represents a legally binding agreement between the Selling Shareholders and the relevant Retail Investor submitting it.

Retail Investors can obtain a copy of this Prospectus from the Company's website (www.eastpipes.com), the CMA's website (www.cma.org.sa) or the Financial Advisor's website (www.alahlicapital.com). A copy of this Prospectus and Subscription Application Forms can also be obtained from any of the following branches of the Receiving Entity:

Saudi National Bank
King Fahd Road - Al-Aqiq District - KAFD
P.O. Box 3208 Unit No.: 778
Riyadh 13519-6676
Kingdom of Saudi Arabia
Tel: +966 92000 1000
Fax: +966 12 643 7426
Website: www.alahli.com:
Email: contactus@alahli.com

The Receiving Entities will commence receiving Subscription Application Forms at some of their branches throughout the Kingdom, or through the Internet, telephone banking, or automated teller machines (ATM) of the Receiving Entities that provide any or all of these services from Monday 21/06/1443H (corresponding to 24/01/2022G) to Tuesday 22/06/1443H (corresponding to 25/01/2022G). Once the Subscription Application Form is signed and submitted, the relevant Receiving Agent will stamp it and provide the Retail Investor with a copy of the completed Subscription Application Form. In the event that the information provided in the Subscription Application Form is incomplete or inaccurate, or not stamped by the Receiving Entity, the Subscription Application Form will be considered void. Retail Investors do not have the right to claim any compensation for the damages incurred due to such cancellation.

Each Retail Investor is required to specify the number of Offer Shares applied for in the Subscription Application Form, and the total subscription amount will be equal to the number of Offer Shares applied for multiplied by the Offer Price of eighty Saudi Riyals (SAR 80) per Offer Share.

Subscriptions for less than ten (10) Offer Shares or fractional numbers will not be accepted. Increments are to be made in multiples of said number. The maximum number of Offer Shares to be applied for is 250,000 Offer Shares.

Subscription Application Forms for Retail Investors should be submitted during the Offering Period and accompanied (where applicable) with the following documents (the Receiving Entities will verify all copies against the originals and return the originals to the relevant Retail Investor):

a) original and copy of the resident's national civil identification card or residency identification card (in case of Retail Investors, including GCC nationals, and non-Saudi Arabian national residents);

b) original and copy of the family civil identification card (when subscribing on behalf of family members);

c) original and copy of a power of attorney (when subscribing on behalf of others);

d) original and copy of certificate of guardianship (when subscribing on behalf of orphans);

e) original and copy of the divorce certificate (when subscribing on behalf of the children of a divorced Saudi woman);

f) original and copy of the death certificate (when subscribing on behalf of the children of a widowed Saudi woman); and

g) original and copy of the birth certificate (when subscribing on behalf of the children of a divorced or widowed Saudi woman).

In the event a Subscription Application Form is submitted on behalf of an Retail Investor (parents and children only), the name of the person signing on behalf of the Retail Investor should be stated in the Subscription Application Form, accompanied with a valid original and a copy of the power of attorney. The power of attorney must be notarized by a notary public for Retail Investors residing in the Kingdom and must be legalized through a Saudi embassy or consulate in the relevant country for Retail Investors residing outside the Kingdom. The concerned official of the Receiving Entity shall match the copy with the original version and return the original version to the Retail Investor.

One Subscription Application Form should be completed for each main Retail Investor applying for himself and members appearing on his family identification card if the family members apply for the same number of Offer Shares as the main Retail Investor. In this case:

a) All Offer Shares allocated to the main Retail Investor and dependent Retail Investors will be registered in the main Retail Investor's name.

b) The main Retail Investor will receive any refund in respect of amounts not allocated and paid for by himself or dependent Retail Investors.

c) The main Retail Investor will receive all dividends distributed for the Offer Shares allocated to himself and dependent Retail Investors (in the event the Shares are not sold or transferred).

Separate Subscription Application Forms must be used if:

a) The Offer Shares to be allocated are to be registered in a name other than the name of the main Retail Investor.

b) Dependent Retail Investors intend to apply for a different number of Offer Shares than the main Retail Investor.

c) The wife subscribes in her name, adding allocated Offer Shares to her account (she must complete a separate Subscription Application Form from the Subscription Application Form completed by the relevant main Retail Investor). In the latter case, applications made by husbands on behalf of their spouses will be canceled and the independent application of the wives will be processed by the Receiving Entity.

A Saudi female divorcee or widow who has minor children from a marriage to a non-Saudi husband may subscribe on behalf of those children provided she submits proof of motherhood. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a main Retail Investor subscribes for Shares for himself and other family members registered in his family book, and a family member submits a separate Subscription Form, such family member's portion of the original application, and only his or her portion, will be canceled.

During the Offering Period, only a valid Iqama will be an acceptable form of identification for nonSaudi dependents. Passports or birth certificates will not be accepted. Non-Saudi dependents can only be included as dependents with their mother and cannot subscribe as main Retail Investors. The maximum age for non-Saudi dependents to be included with their mother is 18. Any documents issued by a foreign government must be legalized through a Saudi embassy or consulate in the relevant country.

Each Retail Investor agrees to subscribe for and purchase the number of Shares specified in their Subscription Application Form for an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of eighty Saudi Riyals (SAR 80) per Offer Share. Each Retail Investor shall acquire the number of Offer Shares allocated to them upon:

a) the delivery by the Retail Investor of the Subscription Application Form to any of the Receiving Entities; and

b) payment in full by the Retail Investor to the Receiving Entity of the total value of the Offer Shares subscribed for.

The total value of the Offer Shares subscribed for must be paid in full at a branch of the Receiving Entities by authorizing a debit of the Retail Investor's account held with the Receiving Entity to whom the Subscription Application Form is being submitted.

If a submitted Subscription Application Form is not in compliance with the terms and conditions of the Offering, the Company shall have the right to reject, in full or in part, such application. The Retail Investor shall accept any number of Offer Shares allocated to them unless the allocated shares exceed the number of Offer Shares they applied for.

17-3 Allocation and Refunds

The Lead Manager and the Receiving Entities shall open and operate escrow accounts. Each of the Receiving Entities shall deposit all amounts received from Retail Investors into the escrow accounts mentioned above.

The Lead Manager and Receiving Entities, as applicable, will notify the Subscribers of the final number of Offer Shares allocated together with the amounts to be refunded. Excess subscription amounts, if any, will be refunded to Subscribers in whole without any deductions or fees and will be deposited in the Subscribers' accounts specified in the Subscription Application Forms. Announcement of the final allocation will be made no later than Sunday, 27/06/1443H (corresponding to 30/01/2022G), and refund of subscription amounts will be made no later than Wedensday, 01/07/1443H (corresponding to 02/02/2022G). Subscribers should communicate with the Lead Manager or the branch of the Receiving Entity where they submitted their Subscription Application Form, as applicable, for any further information.

17-3-1 Allocation of Offer Shares to Participating Parties

Upon completion of the allocation of the Offer Shares to Retail Investors, the final allocation of Offer Shares to Participating Parties shall be determined by the Company at its discretion, in coordination with the Financial Advisor. The Offer Shares initially allocated to Participating Parties is 6,300,000 ordinary shares, representing 100% of the Offer Shares.

If there is sufficient demand from Retail Investors, the Bookrunner has the right to reduce the Offer Shares allocated to the Participating Parties to 5,670,000 ordinary shares, representing 90% of the Offer Shares, after the completion of the subscription process for Retail Investors.

Transfer of ownership of the Offer Shares will be valid only after the Participating Parties pay the costs thereof, are recorded in the Company's Shareholder Register and the Shares have commenced trading on the Exchange, in accordance with the applicable laws and instructions regarding the trading of shares in the Kingdom. If the Shares are not traded or the listing is canceled prior to trading for any reason, the subscription amounts paid by the Participating Parties shall be refunded thereto and the title to the Offer Shares shall be returned to the Selling Shareholders.

17-3-2 Allocation of Offer Shares to Retail Investors

A maximum of six hundred thirty thousand (630,000) Offer Shares, representing 10% the total Offer Shares, will be allocated to Retail Investors. The minimum allocation per Retail Investor is ten (10) Shares, and the maximum allocation per Retail Investor is two hundred fifty thousand (250,000) Shares. The balance of Offer Shares (if any) will be allocated on a pro-rata basis of the number of Offer Shares applied for by each Investor to the total Offer Shares applied for. In the event that the number of Retail Investors exceeds sixty-three thousand (63,000) Retail Investors, the minimum allocation cannot be guaranteed by the Company and the allocation shall be made according to the instructions of the Company and Financial Advisor. Excess subscription amounts, if any, will be refunded to Retail Investors without any commissions or deductions by the Receiving Entities.

17-4 Circumstances Where Listing May Be Suspended or Canceled

17-4-1 Power to Suspend or Cancel Listing

a) The CMA may suspend share trading or cancel the listing at any time it deems fit in any of the following circumstances:

   1) The CMA considers it necessary for the protection of investors or the maintenance of an orderly market.
   2) The Company fails, in a manner which the CMA considers material, to comply with the CML, its Implementing Regulations or the Exchange Rules.
   3) The Company fails to pay on time any fees due to the CMA or the Exchange or any fines due to the CMA.
   4) The CMA deems that the Company or its business, the level of its operations or its assets are no longer suitable for the continued listing of securities on the Exchange.
   5) When a reverse takeover announcement does not contain sufficient information about the proposed transaction. If the Company announces sufficient information regarding the target and the CMA is satisfied, following the Company's announcement, that there will be sufficient information available to the public about the proposed reverse takeover, the CMA may decide not to suspend trading at this stage.

6) When information about the proposed reverse takeover is leaked and the Company cannot accurately assess its financial position and the Exchange cannot be informed accordingly.

7) Upon an application for financial reorganization of the Issuer with a court in accordance with the Bankruptcy Law, if its losses exceed 50% of its share capital.

8) Upon an application for liquidation or administrative liquidation of the Company with the court in accordance with the Bankruptcy Law.

9) Upon a court's termination of a financial reorganization procedure and the commencement of bankruptcy proceedings or administrative liquidation procedures of the Issuer in accordance with the Bankruptcy Law.

10) Upon a court's issuance of a final ruling to commence a bankruptcy proceeding or administrative liquidation procedures of the Issuer in accordance with the Bankruptcy Law.

b) The Exchange shall suspend the trading of the Company's securities in any of the following cases:

1) When the Company does not comply with the deadlines for the disclosure of its periodic financial information within the periods specified in the Rules on the Offer of Securities and Continuous Obligations.

2) When the auditor's report on the financial statements of the Company contains an opposing opinion or an abstention from expressing an opinion, until the opposing opinion or abstention from expressing an opinion is removed.

3) If the liquidity requirements in Parts 2 and 8 of the Listing Rules are not satisfied after listing after the time limit set by the Exchange for the Company to rectify its status, unless the CMA agrees otherwise.

4) Upon the issuance of a resolution by the Company's Extraordinary General Assembly to reduce its capital, for the two trading days following the issuance of such resolution.

17-4-2 Voluntary Cancellation of Listing

a) After its securities have been listed, the Company may not cancel the listing of its securities on the Exchange without the prior approval of the CMA. To obtain CMA approval, the Company must provide the cancellation application to the CMA along with a simultaneous notice to the Exchange. The application must include the following:

1) The specific reasons for the request for the cancellation.

2) A copy of the disclosure described in Paragraph (d) below.

3) A copy of the relevant documentation and a copy of each related communication to Shareholders if the cancellation is to take place as a result of a takeover or other corporate action by the Company.

4) Names and contact information of the Financial and Legal Advisors appointed according to the Rules on the Offer of Securities and Continuing Obligations.

b) The CMA may, at its discretion, approve or reject the cancellation request.

c) The Company must obtain the consent of the Extraordinary General Assembly on the cancellation of the listing after obtaining CMA approval.

d) Where cancellation is made at the Company's request, the Company must disclose it to the public as soon as possible. The disclosure must include the reason for the cancellation, the nature of the event resulting in the cancellation, and the extent to which it affects the Company's activities.

17-4-3 Temporary Trading Suspension

a) The Company may request a temporary trading suspension if an event occurs during trading hours which requires immediate disclosure under the CML, its Implementing Regulations or the Exchange Rules, where the Company cannot maintain the confidentiality of this information until the end of the trading period. The Exchange shall suspend trading of the Company's securities immediately upon receipt of the request.

b) When trading is temporarily suspended at the Company's request, the Company must disclose to the public as soon as possible the reason for the suspension, its anticipated period, the nature of the event that caused it, and the extent to which it affects the Company's activities.

c) The CMA may impose a temporary trading suspension without a request from the Company where the CMA becomes aware of information or circumstances affecting the Company's activities, which the CMA considers would be likely to interrupt the operation of the Exchange or the protection of investors. If its securities are subject to temporary trading suspension, the Company must continue to comply with the CML, its Implementing Regulations and Exchange Rules.

d) The Exchange may propose that the CMA exercise its authorities under Paragraph (c) above if it finds that there are information or circumstances that may affect the Issuer's activities and that are likely to interrupt the operation of the Exchange or the protection of investors.

e) The temporary trading suspension will be lifted following the elapse of the period referred to in Paragraph (b) above, unless the CMA or the Exchange decide otherwise.

17-4-4 Lifting of Suspension

Lifting of a trading suspension under Paragraph (a) of Section 17-4-1"**Power to Suspend or Cancel Listing**" of this Prospectus is subject to the following:

a) Adequately addressing the conditions that led to the suspension and the lack of the need to continue the suspension for the protection of investors.

b) Lifting of suspension being unlikely to affect the normal activity of the Exchange.

c) The Company complying with any other conditions that the CMA may require.

d) In the event that the suspension is due the Company's accumulated losses reaching 50% or more of its capital in accordance with the Bankruptcy Law, then the suspension shall be lifted upon the issuance of the final court ruling on the commencement of a financial restructuring procedure for the Issuer under the Bankruptcy Law, unless suspended from practicing its activities by the relevant competent authority.

e) In the event that the suspension was due to an issuer liquidation procedure or administrative liquidation procedure before the court under the Bankruptcy Law, the suspension shall be lifted upon the issuance of the final court ruling rejecting the commencement of liquidation procedures or administrative liquidation procedures under the Bankruptcy Law, unless suspended from the practice of its activities by the relevant competent authority.

In the event that the listing suspension continues for six (6) months with no appropriate procedure made by the Company to correct such suspension, the CMA may cancel the Company's listing.

17-5 Approvals and Decisions for the Offering

Following are the decisions and approvals for the Offering:

a) The resolution of the Company's Board of Directors approving the Offering dated 06/02/1442H (corresponding to 23/09/2020G).

b) The resolution of the Company's General Assembly approving the Offering dated 06/02/1442H (corresponding to 23/09/2020G).

c) The CMA's approval of the Offering dated 22/02/1443H (corresponding to 29/09/2021G).

d) The Exchange's listing approval dated 29/12/1442H (corresponding to 08/08/2021G).

17-6 Lock-up Period

The Substantial Shareholders appearing on page (x) of this Prospectus may not dispose of their shares for a period of six (6) months from the date on which trading of the Company's shares commences on the Exchange. Following the end of this period, the Substantial Shareholders may dispose of their shares without the prior approval of the CMA.

17-7 Subscription Undertakings

By completing and delivering the Subscription Application Form, each Subscriber:

a) Agrees to subscribe to the number of Offer Shares specified in the Subscription Application Form.

b) Warrants that they have read and carefully examined this Prospectus and understood all its content.

c) Accepts the Company's Bylaws and all Offering instructions and terms mentioned in this Prospectus and the Subscription Application Form, and subscribes for the Offer Shares accordingly.

d) Declares that neither they nor any of their family members included in the Subscription Application Form have previously subscribed for any shares and that the Company has the right to reject any or all duplicate applications.

e) Accepts the number of Offer Shares allocated to them (with a maximum of the amount subscribed for) under the Subscription Application Form.

f) Warrants not to cancel or amend the Subscription Application Form after submitting it to the Receiving Entity.

17-8 Share Register and Trading Arrangements

The Depository Center shall keep a Shareholder Register containing the Shareholders' names, nationalities, addresses, professions, the Shares held by them and the amounts paid for these Shares.

17-9 Saudi Stock Exchange (Tadawul)

In 1990G, full electronic trading of equities in the Kingdom was introduced. Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. Trading in shares occurs on the "Tadawul" system through a fully integrated trading system covering the entire trading process from the execution of the trade transaction through settlement thereof. Trading occurs on each business day of the week between 10:00 am and 3:00 pm from Sunday to Thursday, during which orders are executed. However, orders can be entered, amended or canceled from 9:30 am to 10:00 am. These times change during the month of Ramadan as announced by Tadawul. Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders place at a price limit), provided that if several orders are generated at the same price, they are executed according to the time of entry. Tadawul distributes a comprehensive range of information through various channels, including in particular the Tadawul website and Tadawul Information Link, which supplies trading data in real time to information providers such as Reuters. Exchange transactions are settled on a T+2 basis, meaning that a transfer of shares settles two business days after the trade transaction is executed.

Listed companies are required to disclose all material decisions and information that are important for investors via Tadawul. Surveillance and monitoring is the responsibility of Tadawul as the operator of the market to ensure fair trading and an orderly market.

17-10 Trading of the Company's Shares

It is expected that trading will commence on Tadawul after the final allocation of the Shares and the announcement of the start date of trading by the Exchange. Following listing, Saudi nationals, nonSaudi nationals holding valid residency permits in the Kingdom, GCC nationals, companies, banks, and investment funds will be permitted to trade in the Offer Shares once they are traded on the Exchange. Moreover, Qualified Foreign Investors will be permitted to trade in the Shares in accordance with the QFI Rules. Non-Saudi nationals living outside the Kingdom and institutions registered outside the Kingdom will also have the right to invest indirectly to acquire economic benefits in the Shares by entering into swap agreements with Capital Market Institutions authorized by the CMA to acquire, hold and trade the Shares on the Exchange on behalf of a foreign non-GCC investor. It should be noted that the Capital Market Institutions will be the legal owners of the Shares subject to the Swap Agreements.

Furthermore, Offer Shares can only be traded after allocated Offer Shares have been credited to Subscribers' accounts at Tadawul, the Company has been registered and its Shares listed on the Exchange. Pre-trading in Shares is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk. The Company and Selling Shareholders shall have no legal responsibility in connection with pre-trading activities.

17-11 Miscellaneous

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs. Neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned and delegated by any of the parties to the subscription without the prior written consent of the other party.

These instructions, the conditions and the receipt of any Subscription Application Forms or related contracts shall be governed, construed and enforced in accordance with the laws of the Kingdom of Saudi Arabia.

This Prospectus has been released in both Arabic and English languages. The Arabic version is the only one approved by the CMA. In the event of a discrepancy between the English and the Arabic text, the Arabic text of this Prospectus shall prevail.

The distribution of this Prospectus and the sale of the Offer Shares in any country other than Saudi Arabia are expressly prohibited except for foreign participating parties subject to the applicable laws and instructions. Recipients of this Prospectus are required to inform themselves of any regulatory restrictions relevant to the Offer Shares and the sale of Offer Shares and to observe all such restrictions.

18- Documents Available for Inspection

The following documents will be available for inspection at the Company's Head Office at the Second Industrial City, Dammam P.O. Box 12934 Dammam 31483, Kingdom of Saudi Arabia, between 9:00 am and 3:00 pm from Monday 30/05/1443H (corresponding to 03/01/2022G) until Tuesday 22/06/1443H (corresponding to 25/01/2022G), for a period of no less than twenty (20) days prior to the end of the Offering Period:

a) The CMA's announcement of the approval of the Offering.

b) The resolution of the Company's General Assembly approving the Offering dated 06/02/1442H (corresponding to 23/09/2020G).

c) The resolution of the Company's Board of Directors approving the Offering dated 06/02/1442H (corresponding to 23/09/2020G).

d) The Company's Bylaws and amendments thereto.

e) The Company's Memorandum of Association.

f) The Company's Commercial Registration certificate issued by the MOC.

g) The Company's audited financial statements for the financial years ended March 31, 2019G and 2020G.

h) The evaluation report prepared by the Financial Advisor.

i) The market study report prepared by the Market Consultant.

j) All other reports, letters, documents, valuations and data prepared by any expert wholly or partly included or referred to in the Prospectus.

k) Contracts and agreements disclosed in Section 12-4 "**Material Agreements**" and Section 12-5 "**Material Agreements with Related Parties**" of this Prospectus.

l) Letters of consent from each of:

   1) The Financial Advisor, Lead Manager, Bookrunner and Underwriter (SNB Capital) for the inclusion of its name and logo in this Prospectus.

   2) The Auditor (PricewaterhouseCoopers Auditing), for the inclusion of their name and logo in this Prospectus, in addition to their reports on the Company's audited financial statements for the financial years ended March 31, 2019G, 2020G and 2021G, and the audited financial statements of Welspun Coating for financial years ended March 31, 2019G and 2020G, and the period from April 1, 2020G to July 20, 2020G, which have been prepared in accordance with IFRS, as well as the pro forma financial information for the year ended March 31, 2021G, prepared by the Company's management in accordance with the Company's accounting policies as set out in the Prospectus.

   3) The Financial Due Diligence Advisor (Ernst & Young & Co. (Certified Public Accountants)) for the inclusion of its name, logo and statements, if any, in this Prospectus.

   4) The Market Consultant (Roland Berger Middle East WLL) for the inclusion of its name, logo and statements in this Prospectus.

   5) The Legal Advisor (Law Office of Salman M. Al-Sudairi) for the inclusion of its name, logo and statement in this Prospectus.

m) The Underwriting Agreement.

19- Financial Statements, Pro Forma Financial Information and Auditor's Report

This Section contains the Company's audited financial statements for the financial years ended March 31, 2019G, 2020G and 2021G, and the audited financial statements of Welspun Coating for financial years ended March 31, 2019G and 2020G, and the period from April 1, 2020G to July 20, 2020G, which have been prepared in accordance with IFRS, as well as the pro forma financial information for the year ended March 31, 2021G, prepared by the Company's Management in accordance with the Company's accounting policies.

WELSPUN MIDDLE EAST PIPES COMPANY
(A limited liability company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019
AND INDEPENDENT AUDITOR'S REPORT

WELSPUN MIDDLE EAST PIPES COMPANY
(A limited liability company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

Independent auditor's report to the shareholders of Welspun Middle East Pipes Company

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Welspun Middle East Pipes Company (the "Company") as at 31 March 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

What we have audited

The company's financial statements comprise:

- the statement of profit or loss and other comprehensive income for the year ended 31 March 2019;
- the statement of financial position as at that date;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing that are 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's Articles of Association, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditor's report to the shareholders of Welspun Middle East Pipes Company (continued)

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 International Standards on Auditing, that are 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, that are endorsed in the Kingdom of Saudi Arabia we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

We communicate with management 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.

PricewaterhouseCoopers

Sahar M. Hashem
License Number 439

27 May 2019

WELSPUN MIDDLE EAST PIPES COMPANY
(A limited liability company)
Statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

		Year ended March 31,	
	Note	**2019**	**2018**
Revenue	5	**689,867,428**	271,922,093
Cost of revenue	6	**(723,845,118)**	(314,517,279)
Gross loss		**(33,977,690)**	(42,595,186)
General and administrative expenses	7	**(14,788,986)**	(11,431,753)
Selling and marketing expenses	8	**(13,628,891)**	(7,223,749)
Other operating income - net	9	**18,061,219**	4,032,980
Operating loss		**(44,334,348)**	(57,217,708)
Financial costs	10	**(28,018,003)**	(17,497,194)
Loss before zakat and income tax		**(72,352,351)**	(74,714,902)
Zakat expense	22	**116,829**	(1,074,281)
Income tax expense	22	**2,935,625**	-
Loss for the year		**(69,299,897)**	(75,789,183)
Other comprehensive (loss) income			
Items that will not be reclassified to profit or loss			
Remeasurements of employee benefit obligations		**(1,362,190)**	222,770
Total comprehensive loss for the year		**(70,662,087)**	(75,566,413)

The accompanying notes are an integral part of these financial statements.

WELSPUN MIDDLE EAST PIPES COMPANY
(A limited liability company)
Statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Assets				
Non-current assets				
Property, plant and equipment	11	**253,537,259**	256,030,051	282,740,614
Intangible assets	12	**331,800**	504,720	13,046
Deferred tax asset	22	**2,935,625**	-	-
Total non-current assets		**256,804,684**	256,534,771	282,753,660
Current assets				
Inventories	13	**196,180,959**	56,790,970	88,518,914
Trade and other receivables	14	**356,137,767**	83,981,973	67,229,642
Zakat and income tax refundable	22	**3,168,226**	3,051,397	4,125,678
Cash and cash equivalents	15	**16,237,420**	59,192,202	37,432,004
Total current assets		**571,724,372**	203,016,542	197,306,238
Total assets		**828,529,056**	459,551,313	480,059,898
Equity and liabilities				
Equity				
Share capital	16	**76,046,875**	76,046,875	76,046,875
Statutory reserve	17	**-**	25,609,186	25,609,186
(Accumulated deficit) retained earnings		**(35,144,949)**	9,907,952	85,474,365
Total equity		**40,901,926**	111,564,013	187,130,426
Liabilities				
Non-current liabilities				
Long-term borrowings	18	**37,500,000**	99,034,230	139,106,590
Long-term loans from shareholders	23	**105,882,396**	105,882,396	105,882,396
Employee benefit obligations	20	**9,217,750**	6,531,530	5,271,580
Advance from a customer	21	**38,371,501**	-	-
Total non-current liabilities		**190,971,647**	211,448,156	250,260,566
Current liabilities				
Trade and other payables	21	**337,928,531**	110,250,534	13,567,124
Current portion of long-term borrowings	18	**71,603,027**	26,288,610	29,101,782
Short term borrowings	19	**187,123,925**	-	-
Total current liabilities		**596,655,483**	136,539,144	42,668,906
Total liabilities		**787,627,130**	347,987,300	292,929,472
Total equity and liabilities		**828,529,056**	459,551,313	480,059,898

The accompanying notes are an integral part of these financial statements.

WELSPUN MIDDLE EAST PIPES COMPANY
(A limited liability company)
Statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Welspun Mauritius Holdings Company Ltd.	Aziz European Pipe Factory	Mohawareen Industrial Services	Total
Share capital					
1 April 2017, 31 March 2018 and 2019	4	**38,031,042**	**34,221,094**	**3,794,739**	**76,046,875**
Statutory reserve					
1 April 2017 and 31 March 2018		12,807,154	11,524,134	1,277,898	25,609,186
Transfer from retained earnings	17	(12,807,154)	(11,524,134)	(1,277,898)	(25,609,186)
31 March 2019		**-**	**-**	**-**	**-**
Retained earnings					
1 April 2017		47,775,769	34,073,028	3,625,568	85,474,365
Loss before zakat and income tax		(37,364,922)	(33,621,706)	(3,728,274)	(74,714,902)
Other comprehensive income for the year		111,407	100,247	11,116	222,770
Zakat and income tax expense	22	-	(967,046)	(107,235)	(1,074,281)
31 March 2018		10,522,254	(415,477)	(198,825)	9,907,952
Loss before zakat and income tax		(36,183,411)	(32,558,558)	(3,610,382)	(72,352,351)
Other comprehensive loss for the year		(681,231)	(612,986)	(67,973)	(1,362,190)
Zakat and income tax expense	22	2,935,625	105,167	11,662	3,052,454
Transfer from retained earnings	17	12,807,154	11,524,134	1,277,898	25,609,186
31 March 2019		**(10,599,609)**	**(21,957,720)**	**(2,587,620)**	**(35,144,949)**
Total equity					
31 March 2019		**27,431,433**	**12,263,374**	**1,207,119**	**40,901,926**
31 March 2018		61,360,450	45,329,751	4,873,812	111,564,013

The accompanying notes are an integral part of these financial statements.

WELSPUN MIDDLE EAST PIPES COMPANY
(A limited liability company)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended 31 March 2019	2018
Cash flows from operating activities			
Loss before zakat and income tax		**(72,352,351)**	(74,714,902)
Adjustments for:			
Depreciation and amortisation	11,12	**26,167,860**	26,095,944
Gain from sale of property, plant and equipment	11,12	**(64,145)**	(85,720)
(Reversal) provision for inventory obsolescence	13	**(331,655)**	556,349
Expected credit loss ("ECL") allowance on trade receivables		**-**	1,692,571
Financial costs	10	**28,018,003**	17,497,194
Employee benefit obligations	20	**1,491,740**	1,498,090
Changes in operating assets and liabilities:			
(Increase) decrease in inventories		**(139,058,334)**	31,171,595
Increase in trade and other receivables		**(272,155,794)**	(18,444,902)
Increase in trade and other payables		**227,677,997**	96,683,410
Increase in advance from a customer		**38,371,501**	-
Cash (used in) generated from operations		**(162,235,178)**	81,949,629
Finance costs paid		**(25,487,816)**	(17,987,726)
Employee benefit obligations paid		**(167,710)**	(15,370)
Net cash (outflow) inflow from operating activities		**(187,890,704)**	63,946,533
Cash flows from investing activities			
Payments for property, plant and equipment	11	**(23,467,979)**	(323,381)
Payment for intangible assets	12	**(39,529)**	(599,944)
Proceeds from sale of property, plant and equipment	11	**69,505**	1,131,990
Net cash (outflow) inflow from investing activities		**(23,438,003)**	208,665
Cash flows from financing activities			
Short-term borrowings		**187,123,925**	-
Repayments of long-term borrowings		**(18,750,000)**	(42,395,000)
Net cash inflow (outflow) from financing activities		**168,373,925**	(42,395,000)
Net change in cash and cash equivalents		**(42,954,782)**	21,760,198
Cash and cash equivalents at beginning of year		**59,192,202**	37,432,004
Cash and cash equivalents at end of year		**16,237,420**	59,192,202

The accompanying notes are an integral part of these financial statements.

1 General information

Welspun Middle East Pipes Company (the "Company") is engaged in manufacturing and sale of spiral steel pipes.

The Company is a limited liability company licensed under foreign investment license number 121031118992 issued by Saudi Arabian General Investment Authority on 22 Rajab 1431H (4 July 2010) operating under commercial registration number 2050071522 issued in Dammam on 22 Rajab 1431H (4 July 2010). The registered address of the Company is P.O. Box 12943, Dammam 31483, Kingdom of Saudi Arabia.

The Company has incurred a net loss of Saudi Riyals 70.6 million for the year ended 31 March 2019 and has accumulated deficit of Saudi Riyals 35.1 million as of that date. Also, the Company's current liabilities exceeded its current assets by Saudi Riyals 24.9 million as of 31 March 2019. These conditions indicate that the Company's ability to meet its obligation as they become due and to continue as a going concern depends upon its ability to generate positive operating cash flows and to obtain adequate financial support from the shareholders.

The two years' business plan prepared by management of the Company, shows improvement in the financial performance of the Company over the coming years resulting from increase in production and increase in revenues. The two years' business plan has also factored in sales backlog of Saudi Riyals 1.8 billion as at 31 March 2019 which is expected to be delivered during the years from 2020 through 2021. Accordingly, the accompanying financial statements have been prepared under going concern basis.

The accompanying financial statements were approved by the Company's management on 27 May 2019.

2 Summary of significant accounting policies

The principal accounting policies applied for the preparation of financial statements of the Company are set out below.

2.1 Basis of preparation

(a) Statement of compliance

These financial statements of the Company have been prepared in compliance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia ("IFRS"), and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA").

For all periods up to and including the year ended 31 March 2018, the Company prepared its financial statements in accordance with local generally accepted accounting principles as issued by SOCPA ("previous GAAP"). These are the first annual financial statements for the year ended 31 March 2019 in accordance with IFRS and other standards and pronouncements issued by SOCPA. In preparing the financial statements, the Company's opening statement of financial position was prepared as at 1 April 2017 which is the Company's date of transition to IFRS, in compliance with IFRS 1 "First time adoption of International Financial Reporting Standards" ("IFRS 1") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA.

Explanations of how the transition to IFRS has affected the reported amounts of statement of financial position, statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Company are provided in note 4.

(b) Historical cost convention

These financial statements are prepared under the historical cost convention except for the measurement of employee benefit obligations as explained in the relevant accounting policies.

(c) Standards issued but not yet effective

Certain new standards and amendments to existing standards have been published that are mandatory for the Company's accounting periods beginning 1 January 2019 or later period, but have not been early adopted by the Company. The Company is currently evaluating the impact that these new accounting standards, amendments and interpretations may have on its financial statements.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) Standards issued but not yet effective (continued)

IFRS 16 - "*Leases*"

IFRS 16 replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement Contains a Lease', SIC-15 'Operating Leases - Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

The Company will recognise new assets and liabilities for its operating leases of various types of contracts including office rent, vehicles etc. The nature of expenses related to those leases will now change because the Company will recognize a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognized.

In accordance with the transitional provisions in IFRS 16, the Company plans to apply IFRS 16 initially on 1 April 2019, using the modified retrospective transitional method, taking into consideration the exemption allowing it not to restate comparative information or prior periods. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings as at 1 April 2019. As at the reporting date, the Company has operating lease commitments of Saudi Riyals 16.0 million, see note 26.

There are no other relevant IFRS or IFRS Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements.

2.2 Revenue

Revenue is measured at the fair value of the consideration received or receivable net of returns, allowances and trade discounts for the sale of goods in the ordinary course of the Company's activities. The Company recognizes revenue when control of the goods has transferred, being when the products are delivered to the customer, the customer has full discretion over the use or sale of such goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been acknowledged by the customer through third party inspection documents and material release notes, the risks of obsolescence and loss have been transferred to the customer, the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered or acknowledged by the customer as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2 Summary of significant accounting policies (continued)

2.3 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in "Saudi Riyals", which is the Company's presentation as well as functional currency.

(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 other than Saudi Riyals are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

2.4 Operating leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.5 Zakat and taxes

In accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"), the Company is subject to zakat attributable to Saudi shareholding and to income tax attributable to the foreign shareholding in the Company. Provisions for zakat and income tax are charged to profit or loss for the year. Additional amounts, if any, are accounted for when determined to be required for payment. Further, the amounts for zakat and income tax expense for the year are presented in the statement of changes in equity in accordance with the guidance issued by SOCPA for companies with mixed ownership in line with the terms of the agreement between the shareholders of the Company.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred income tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Company withholds tax on certain transactions with non-resident parties in the Kingdom of Saudi Arabia, including dividends payment to the foreign shareholder, as required under the Saudi Arabian Income Tax Law.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

2 Summary of significant accounting policies (continued)

2.6 Property, plant and equipment (continued)

Depreciation is calculated on property, plant and equipment so as to allocate its cost, less estimated residual value, on a straight-line basis over the estimated useful lives of the assets. The depreciation expense is recognised in profit or loss in the expense category consistent with the function of the property, plant and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. Major spare parts qualify for recognition as property, plant and equipment when the Company expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use

Assets in the course of construction or development are capitalised in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of capital work-in-progress intended by management. Capital work-in-progress is not depreciated.

2.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be finite.

Intangible assets are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and carrying amount of the asset and are recognized in the profit or loss when the asset is derecognised.

2.8 Financial instruments

2.8.1 Financial assets

(a) Classification

The Company classifies its financial assets as measured at amortised cost. See note 25 for details of each type of financial asset. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(b) Recognition and derecognition

At initial recognition, the Company measure financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset. Transactions cost of financial assets carried at fair value through profit or loss are expensed in profit or loss.

2.8 Financial instruments (continued)

2.8.1 Financial assets (continued)

(c) Recognition and derecognition (continued)

The Company derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

(d) Measurement

Subsequent measurement of financial assets depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. The Company classifies its financial assets as measured at amortised cost. Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest are measure at amortised cost. A gain or loss on a financial instrument that is subsequently measured at amortized cost and is not part of the hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is calculated using the effective interest rate method.

Currently, the Company does not hold any equity instruments, therefore the related accounting policies are not presented.

2.8.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss.

2.9 Impairment of financial assets

The Company assesses on a forward looking basis the Expected Credit Losses ("ECL") associated with its financial assets carried at amortized cost. Refer note 14, which details how the Company determines whether there has been a change in credit risk.

For trade receivables and other financial assets, the Company applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables. The amount of the loss is charged to profit or loss.

The loss rates are based on probability of default based on historical trends relating to collections of Company's trade receivables. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant decrease in credit worthiness of the customer, the failure of the customer to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 720 days past due.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in profit or loss.

2 Summary of significant accounting policies (continued)

2.10 Impairment of non-financial assets excluding inventories

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories comprise all costs of purchase plus other charges incurred thereon. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Provision for inventory obsolescence is made considering various factors including age of the inventory items, historic sale trends and expected turnover in future.

2.12 Trade receivables

Trade receivables are amounts due from customers for products sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less allowance for ECL. Subsequent recoveries of amount previously written-off are credited to profit or loss against "General and administrative expenses".

2.13 Cash and cash equivalents

For the purpose of statement of financial position and presentation in the statement of cash flows, cash and cash equivalents include cash in hand, cash at banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

2.15 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 Summary of significant accounting policies (continued)

2.16 Borrowings

Borrowings are initially recognised at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, long-term borrowings are measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as “other income” or “finance costs”.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

2.17 Employee benefit obligations

The Company operates a single post-employment benefit scheme of defined benefit plan driven by the labour laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plan is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income and transferred to retained earnings in the statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs. End of service payments are based on employees’ final salaries and allowances and their cumulative years of service, as stated in the labour law of Kingdom of Saudi Arabia.

3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates and judgments 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 revenue 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 judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve month period are discussed below:

Useful lives of property, plant and equipment

The management determines the estimated useful lives of property, plant and equipment for computing depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates. At year-end, if the useful life increased / decreased by 10% against the current useful life with all other variables held constant, loss for the year would have been Saudi Riyals 1.2 million lower or Saudi Riyals 0.9 million higher.

4 First time adoption of IFRS

As stated in note 2.1, the accompanying financial statements have been prepared in compliance with IFRS and IFRS 1 and other standards and pronouncements as endorsed by SOCPA in the Kingdom of Saudi Arabia. The last financial statements under the previous GAAP were for the year ended 31 March 2018 and the date of transition to IFRS is 1 April 2017. In preparing the Company's first IFRS financial statements, the Company's opening statement of financial position was prepared as at 1 April 2017. Note 4.5, further explains the principal adjustments made by the Company, as a result of the transition to IFRS, in statements of financial position as at 1 April 2017 and 31 March 2018 and the related statement profit or loss and other comprehensive income for the year ended 31 March 2018. The Company has not availed any voluntary exemptions given in IFRS 1. Mandatory exemptions given in IFRS 1 were not applicable.

(All amounts in Saudi Riyals unless otherwise stated)

4 First time adoption of IFRS (continued)

4.1 Impact of IFRS transition on the statement of financial position as at 1 April 2017 (date of transition)

	Note	Balances as per previous GAAP as at 1 April 2017	Impact of transition to IFRS	Balances as per IFRS as at 1 April 2017
Assets				
Non-current assets				
Property, plant and equipment		282,740,614	-	282,740,614
Intangible assets		13,046	-	13,046
Total non-current assets		282,753,660	-	282,753,660
Current assets				
Inventories		88,518,914	-	88,518,914
Trade and other receivables		67,229,642	-	67,229,642
Zakat and income tax refundable		4,125,678	-	4,125,678
Cash and cash equivalents		37,432,004	-	37,432,004
Total current assets		197,306,238	-	197,306,238
Total assets		480,059,898	-	480,059,898
Equity and liabilities				
Equity				
Share capital		76,046,875	-	76,046,875
Statutory reserve		25,609,186	-	25,609,186
Retained earnings	4.5.1	84,541,771	932,594	85,474,365
Total equity		186,197,832	932,594	187,130,426
Liabilities				
Non-current liabilities				
Long-term borrowings		139,106,590	-	139,106,590
Long-term loans from shareholders		105,882,396	-	105,882,396
Employee benefit obligations	4.5.1	6,204,174	(932,594)	5,271,580
Total non-current liabilities		251,193,160	(932,594)	250,260,566
Current liabilities				
Trade and other payables		13,567,124	-	13,567,124
Current portion of long-term borrowings		29,101,782	-	29,101,782
Total current liabilities		42,668,906	-	42,668,906
Total liabilities		293,862,066	(932,594)	292,929,472
Total equity and liabilities		480,059,898	-	480,059,898

(All amounts in Saudi Riyals unless otherwise stated)

4 First time adoption of IFRS (continued)

4.2 Impact of IFRS transition on the statement of profit or loss and other comprehensive income for the year ended 31 March 2018

	Note	Amounts as per previous GAAP for the year ended 31 March 2018	Impact of transition to IFRS	Amounts as per IFRS for the year ended 31 March 2018
Revenue		271,922,093	-	271,922,093
Cost of revenue		(314,517,279)	-	(314,517,279)
Gross loss		(42,595,186)	-	(42,595,186)
General and administrative expenses	4.5.1	(10,696,592)	(735,161)	(11,431,753)
Selling and marketing expenses		(7,223,749)	-	(7,223,749)
Other operating income – net		4,032,980	-	4,032,980
Operating loss		(56,482,547)	(735,161)	(57,217,708)
Finance costs	4.5.1	(17,170,834)	(326,360)	(17,497,194)
Loss for the year before zakat and income tax		(73,653,381)	(1,061,521)	(74,714,902)
Zakat expense	4.5.2	-	(1,074,281)	(1,074,281)
		(73,653,381)	(2,135,802)	(75,789,183)
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of employee benefit obligations	4.5.1	-	222,770	222,770
Total comprehensive loss for the year		(73,653,381)	(1,913,032)	(75,566,413)

(All amounts in Saudi Riyals unless otherwise stated)

4 First time adoption of IFRS (continued)

4.3 Impact of IFRS transition on the statement of financial position as at 31 March 2018

	Note	Balances as per previous GAAP as at 31 March 2018	Impact of transition to IFRS	Balances as per IFRS as at 31 March 2018
Assets				
Non-current assets				
Property, plant and equipment		256,030,051	-	256,030,051
Intangible assets		504,720	-	504,720
Total non-current assets		256,534,771	-	256,534,771
Current assets				
Inventories		56,790,970	-	56,790,970
Trade and other receivables		83,981,973	-	83,981,973
Zakat and income tax refundable		3,051,397	-	3,051,397
Cash and cash equivalents		59,192,202	-	59,192,202
Total current assets		203,016,542	-	203,016,542
Total assets		459,551,313	-	459,551,313
Equity and liabilities				
Equity				
Share capital		76,046,875	-	76,046,875
Statutory reserve		25,609,186	-	25,609,186
Retained earnings	4.5.1	9,814,109	93,843	9,907,952
Total equity		111,470,170	93,843	111,564,013
Liabilities				
Non-current liabilities				
Long-term borrowings		99,034,230	-	99,034,230
Long-term loans from shareholders		105,882,396	-	105,882,396
Employee benefit obligations	4.5.1	6,625,373	(93,843)	6,531,530
Total non-current liabilities		211,541,999	(93,843)	211,448,156
Current liabilities				
Trade and other payables		110,250,534	-	110,250,534
Current portion of long-term borrowings		26,288,610	-	26,288,610
Total current liabilities		136,539,144	-	136,539,144
Total liabilities		348,081,143	(93,843)	347,987,300
Total equity and liabilities		459,551,313	-	459,551,313

(All amounts in Saudi Riyals unless otherwise stated)

4 Impact of transition to IFRS (continued)

4.4 Impact of IFRS transition on the statement of cash flows for the year ended 31 March 2018

The transition from SOCPA to IFRS has not had a material impact on the statement of cash flows.

4.5 Explanations of IFRS adjustments

4.5.1 Employee benefit obligations

In accordance with the previous GAAP, the Company recognized liability related to its employee benefit obligations as current value of vested benefits to which the employee is entitled. However, as at the date of transition to IFRS, the Company has re-measured the defined benefit liability in accordance with the projected unit credit method, as required by IAS -19 “Employee benefits”.

As at 1 April 2017, the above mentioned adjustment has resulted in a decrease of employee benefit obligations (liability) by Saudi Riyals 0.9 million with corresponding increase in retained earnings.

As at 31 March 2018, the above mentioned adjustment has resulted in a decrease of employee benefit obligations (liability) by Saudi Riyals 0.09 million with corresponding increase in retained earnings of the Company. The above mentioned adjustment has resulted in an increase in general and administrative expenses by Saudi Riyals 0.7 million, increase in finance cost by Saudi Riyals 0.3 million with a corresponding increase in loss for the year ended 31 March 2018 and increase in other comprehensive income of Saudi Riyals 0.2 million for the year then ended.

4.5.2 Zakat and income tax

In accordance with the previous GAAP, zakat and income tax expense was presented in the statement of changes in equity. Due to transition from previous GAAP to IFRS, zakat tax expense amounting to Saudi Riyals 1.0 million, has been presented in the statement of profit or loss and other comprehensive income for the year ended 31 March 2018.

5 Revenue

	2019	2018
Revenue - point in time	**689,867,428**	271,922,093

6 Cost of revenue

	Note	2019	2018
Cost of materials		**629,968,144**	219,315,509
Sub-contractors costs		**14,289,840**	26,085,552
Salaries and benefits		**34,197,526**	31,031,287
Depreciation	11	**25,447,155**	25,316,571
(Reversal) provision for inventory obsolescence	13	**(331,655)**	556,349
Other		**20,274,108**	12,212,011
		723,845,118	314,517,279

(All amounts in Saudi Riyals unless otherwise stated)

7 General and administrative expenses

	Note	2019	2018
Salaries and benefits		**10,798,494**	7,075,171
Depreciation	11	**201,642**	333,810
Professional fee		**1,232,298**	327,246
Repair		**142,343**	220,932
Utilities		**584,683**	267,647
Rent		**242,798**	236,195
Travel		**154,348**	113,330
ECL allowance	14	**-**	1,692,571
Other		**1,432,380**	1,164,851
		14,788,986	11,431,753

8 Selling and marketing expenses

	Note	2019	2018
Rent		**5,940,481**	3,845,836
Salaries and benefits		**4,349,508**	1,023,968
Packing material		**2,112,708**	574,346
Freight		**-**	978,663
Depreciation	11	**306,614**	337,293
Other		**919,580**	463,643
		13,628,891	7,223,749

9 Other operating income - net

	2019	2018
Scrap sales	**17,322,313**	3,649,558
Other	**738,906**	383,422
	18,061,219	4,032,980

10 Financial cost

	Note	2019	2018
Interest expense on long-term borrowings		**5,189,002**	6,413,591
Interest expense on short-term borrowings		**8,292,828**	1,465,110
Interest expense on loans from shareholders		**5,558,826**	5,558,826
Unwinding of SIDF commitment fees	18	**755,640**	755,640
Accretion of employee termination obligations	20	**322,380**	326,360
Letter of credit facilities charges		**7,899,327**	2,977,667
		28,018,003	17,497,194

(All amounts in Saudi Riyals unless otherwise stated)

11 Property, plant and equipment

	1 April 2018	Additions	Disposals/ Transfer	31 March 2019
2019				
Cost				
Buildings and land improvements	45,036,269	-	1,291,507	**46,327,776**
Plant and machinery	402,376,453	3,175,767	18,478,186	**424,030,406**
Furniture, fixtures and office equipment	2,934,081	108,890	(65,939)	**2,977,032**
Vehicles	1,736,592	-	(231,670)	**1,504,922**
Capital work-in-progress	216,408	20,183,322	(19,834,855)	**564,875**
	452,299,803	23,467,979	(362,771)	**475,405,011**
Accumulated depreciation				
Buildings and land improvements	(16,860,794)	(2,504,391)	-	**(19,365,185)**
Plant and machinery	(175,253,482)	(23,157,906)	-	**(198,411,388)**
Furniture, fixtures and office equipment	(2,685,684)	(167,972)	125,741	**(2,727,915)**
Vehicles	(1,469,792)	(125,142)	231,670	**(1,363,264)**
	(196,269,752)	(25,955,411)	357,411	**(221,867,752)**
	256,030,051			**253,537,259**

	1 April 2017	Additions	Disposals/ Transfer	31 March 2018
2018				
Cost				
Buildings and land improvements	45,038,739	-	(2,470)	45,036,269
Plant and machinery	402,723,494	-	(347,041)	402,376,453
Furniture, fixtures and office equipment	3,268,504	27,300	(361,723)	2,934,081
Vehicles	1,737,381	-	(789)	1,736,592
Capital work-in-progress	856,681	296,081	(936,354)	216,408
	453,624,799	323,381	(1,648,377)	452,299,803
Accumulated depreciation				
Buildings and land improvements	(14,374,025)	(2,487,719)	950	(16,860,794)
Plant and machinery	(152,539,175)	(23,017,499)	303,192	(175,253,482)
Furniture, fixtures and office equipment	(2,685,640)	(297,220)	297,176	(2,685,684)
Vehicles	(1,285,345)	(185,236)	789	(1,469,792)
	(170,884,185)	(25,987,674)	602,107	(196,269,752)
	282,740,614			256,030,051

(a) Buildings and plant and machinery of the Company have been constructed on land parcels leased under various renewable operating lease agreements at annual rent of Saudi Riyals 0.8 million (2018: Saudi Riyals 0.8 million) with terms ranging from one to twelve years.

(b) Depreciation is calculated on straight-line basis over the following estimated useful lives of the assets:

	Number of years
• Buildings and land improvements	10 - 20
• Plant and machinery	2 - 20
• Furniture, fixtures and office equipment	2 - 5
• Vehicles	3 - 5

(All amounts in Saudi Riyals unless otherwise stated)

12 Intangible assets

	31 March 2019	31 March 2018	1 April 2017
Cost			
1 April	**2,075,868**	1,475,924	1,475,924
Additions / transfers	**39,529**	599,944	-
31 March	**2,115,397**	2,075,868	1,475,924
Accumulated amortization			
1 April	**(1,571,148)**	(1,462,877)	(1,457,063)
Amortization for the year	**(212,449)**	(108,270)	(5,814)
31 March	**(1,783,597)**	(1,571,148)	(1,462,877)
Net book value	**331,800**	504,720	13,046

Intangible assets represents software licensing fees and is amortized on a straight-line basis over their estimated useful life which is 4 years.

13 Inventories

	31 March 2019	31 March 2018	1 April 2017
Raw materials	**76,546,038**	24,538,093	12,045,811
Finished products	**105,366,299**	17,580,733	62,426,989
Work-in-progress	**4,512,281**	1,715,490	233,734
Spare parts and supplies, not held for sale	**11,824,049**	15,356,017	15,655,394
	198,248,667	59,190,333	90,361,928
Less: provision for inventory obsolescence	**(2,067,708)**	(2,399,363)	(1,843,014)
	196,180,959	56,790,970	88,518,914

Movement in provision for inventory obsolescence is as follows:

	31 March 2019	31 March 2018
1 April	**2,399,363**	1,843,014
(Reversal) additions	**(331,655)**	556,349
31 March	**2,067,708**	2,399,363

14 Trade and other receivables

	Note	31 March 2019	31 March 2018	1 April 2017
Trade receivable		**263,810,727**	54,017,994	27,681,529
Related parties	23	**27,492,305**	22,089,521	29,968,546
		291,303,032	76,107,515	57,650,075
Prepaid expenses		**58,069,498**	3,483,012	8,611,191
Advances to suppliers		**1,886,425**	3,380,401	381,472
Advances to employees		**590,179**	580,991	382,296
VAT receivable		**4,088,440**	221,861	-
Other		**200,193**	208,193	204,608
		356,137,767	83,981,973	67,229,642

14 Trade and other receivables (continued)

(a) Movement in ECL allowance is as follows:

	2019	**2018**
1 April	**-**	-
ECL allowance	**-**	1,692,571
Receivables written-off	**-**	(1,692,571)
31 March	**-**	-

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(b) The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been computed based on shared credit risk characteristics and the days past due.

(c) The expected loss rates are based on the payment profiles of sales over a period of 48 months before 31 March 2019, 31 March 2018 and 1 April 2017 respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and inflation rate of the countries in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

(d) The carrying amounts of the Company's trade and other receivables are denominated in Saudi Riyals.

(e) The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to the credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

(f) The Company does not hold any collateral as security.

15 Cash and cash equivalents

	31 March 2019	**31 March 2018**	**1 April 2017**
Cash in hand	**8,052**	27,574	48,303
Cash at bank	**16,229,369**	59,164,628	37,383,701
	16,237,420	59,192,202	37,432,004

16 Share capital

The share capital of the Company as of 31 March 2018 and 2019 comprised of 76,046,875 shares stated at Saudi Riyals 1 per share owned as follows:

	Country of incorporation	**Shareholding percentage 2019**	**Shareholding percentage 2018**
Welspun Mauritius Holdings Company Ltd.	Mauritius	**50.01**	50.01
Aziz European Pipe Factory	Saudi Arabia	**45.00**	45.00
Mohawareen Industrial Services	Saudi Arabia	**4.99**	4.99
		100.00	100.00

17 Statutory reserve

In accordance with the Company's Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the profit for the year to a statutory reserve until such reserve equals at least 30% of its share capital.

During the year ended 31 March 2019, the shareholders of the Company resolved to absorb the accumulated losses through transfer of Saudi Riyals 25.6 million from statutory reserve to retained earnings in proportion to their existing shareholding percentages.

18 Long-term borrowings

	Note	31 March 2019	31 March 2018	1 April 2017
Saudi Industrial Development Fund ("SIDF")	**18.1**	**32,698,000**	32,698,000	37,593,000
Commercial bank loan	**18.2**	**75,000,000**	93,750,000	131,250,000
		107,698,000	126,448,000	168,843,000
Less: unamortized transaction costs		**(440,770)**	(1,196,410)	(1,952,050)
Add: accrued interest		**1,845,797**	71,250	1,317,422
		109,103,027	125,322,840	168,208,372

Long-term borrowings are presented as follows:

		31 March 2019	31 March 2018	1 April 2017
Current maturity under current liabilities		**71,603,027**	26,288,610	29,101,782
Long-term portion under non-current liabilities		**37,500,000**	99,034,230	139,106,590

18.1 SIDF loan

This represents loan obtained by the Company from Saudi Industrial and Development Fund ('SIDF') of Saudi Riyals 125.2 million to finance the construction of the Company's plant facilities. The loan is denominated in Saudi Riyals.

During 2018, the Company rescheduled the loan and as per the rescheduling agreement, the loan is payable in two un-equal semi-annual installments which are due in 2020.The covenants of the loan agreement require the Company to maintain certain level of financial conditions, place limitations on dividend distributions and on annual capital and rental expenditures and certain other matters. As at 31 March 2019, the Company was not in compliance with loan covenant related to rental expenditures and other covenants related to maintenance of other financial ratios as per the agreement with SIDF. However, the Company has obtained a waiver from SIDF in respect of such non-compliance before the year-end. The loan is secured by corporate gurantees provided by the shareholders.

	2019	2018
Principal amount	**32,698,000**	32,698,000
less: unamortized transaction costs	**(440,770)**	(1,196,410)
	32,257,230	31,501,590

Long-term borrowings are presented as follows:

	2019	2018
Current maturity under current liabilities	**32,257,230**	7,467,360
Long-term portion under non-current liabilities	**-**	24,034,230
	32,257,230	31,501,590

18 Long-term borrowings (continued)

Movement in unamortized transaction costs is as follows:

	2019	2018
1 April	**1,196,410**	1,952,050
Less: amortization	**(755,640)**	(755,640)
31 March	**440,770**	1,196,410

Related to:

Current maturity shown under current liabilities	**440,770**	755,640
Shown under long-term borrowings	**-**	440,770
	440,770	1,196,410

Maturity profile of SIDF

The total amount of such outstanding loan is due for repayment in two un-equal semi-annual installements during the year ending 31 March 2020.

18.2 Commercial bank loan

During 2016, the Company obtained a loan facility from a local commercial bank. The loan is denominated in Saudi Riyals and bear financial charges based on prevailing market rates.

As at 31 March 2019, the Company was not in compliance with loan covenants to maintain certain level of financial conditions as per the agreement with commercial bank. However, the Company has obtained a waiver from commercial bank in respect of such non-compliance before the year-end. The aggregate maturity of the loan outstanding at 31 March 2019, based on its respective repayment schedule, is spread from 2019 through 2021. The loan is secured by corporate gurantees provided by the shareholders.

Maturity profile of commercial bank loan

Years ending 31 March:

	2019	2018
2019	**-**	18,750,000
2020	**37,500,000**	37,500,000
2021	**37,500,000**	37,500,000
	75,000,000	93,750,000

19 Short-term borrowings

	2019	2018
Short term borrowing	**173,690,007**	-
Overdraft	**13,433,918**	-
	187,123,925	-

These represent bank borrowings obtained from various commercial banks and bear financial charges at prevailing market rates which are based on Saudi inter-bank Offer Rates (SIBOR). These facilities are secured against corporate guarantee from shareholders of the Company. The carrying value of the short-term borrowings are denominated in Saudi Riyals.

(All amounts in Saudi Riyals unless otherwise stated)

20 Employee benefit obligations

20.1 General description of the plan

The Company operates a defined benefit plan in line with the Labour Law requirement in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labour Laws of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment.

	2019	2018
1 April	**6,531,530**	5,271,580
Current service cost	**1,169,360**	1,171,730
Interest expense	**322,380**	326,360
Payments	**(167,710)**	(15,370)
Remeasurements	**1,362,190**	(222,770)
31 March	**9,217,750**	6,531,530

20.2 Amounts recognised in the statement of profit or loss and other comprehensive income

The amounts recognised in the statement of profit or loss and other comprehensive income related to employee benefit obligations are as follows:

	2019	2018
Current service cost	**1,169,360**	1,171,730
Interest expense	**322,380**	326,360
Total amount recognised in profit or loss	**1,491,740**	1,498,090
Remeasurements		
Gain from change in financial assumptions	**878,380**	953,050
Experience losses (gains)	**483,810**	(1,175,820)
Total amount recognised in other comprehensive income	**1,362,190**	(222,770)

20.3 Key actuarial assumptions

	2019	2018
Discount rate	**4.25%**	5.0%
Salary growth rate	**3.0%**	3.0%

20.4 Sensitivity analysis for actuarial assumptions

	Change in assumption		**Impact on employee benefit obligations**	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	1%	(1,145,710)	1,377,340
Salary growth rate	1%	1%	1,381,210	(1,168,800)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

(All amounts in Saudi Riyals unless otherwise stated)

21 Trade and other payables

	Note	31 March 2019	31 March 2018	1 April 2017
Trade payables		**263,419,250**	97,716,149	3,126,002
Related parties	23	**5,130,842**	2,815,976	3,838,707
		268,550,092	100,532,125	6,964,709
Accrued expenses		**6,005,991**	3,966,822	1,492,780
Salaries and benefits		**3,719,566**	3,878,362	3,734,127
Accrued financial charges		**1,370,669**	1,316,350	683,716
Advances from customers	21.1	**96,653,714**	556,875	691,792
		376,300,032	110,250,534	13,567,124
Advance from a customer - non-current		**(38,371,501)**	-	-
		337,928,531	110,250,534	13,567,124

21.1 Advance received from a customers include an amount of Saudi Riyals 96.6 million received from a customer for the execution of the contract and is adjusted against the billings to the customer over the period of the contract and have been classified under current and non-current portion based on expected future billings in the accompaying financial statements.

22 Income tax and zakat matters

22.1 Components of zakat base attributable to Saudi shareholders

	2019	2018
Equity at beginning of year	**55,723,938**	93,080,296
Provisions at beginning of year	**4,261,833**	4,022,789
Adjusted net loss for the year	**(31,506,013)**	(35,368,658)
Borrowings	**109,564,116**	115,543,879
Property, plant and equipment, as adjusted	**(130,117,930)**	(135,476,595)
Other	**(5,910,842)**	6,915,651
Approximate zakat base	**2,015,102**	48,717,362

Zakat is payable at 2.5% of the higher of the approximate zakat base and adjusted net income.

22.2 Income tax expense

	2019	2018
Current tax	**-**	-
Deferred tax credit	**(2,935,625)**	-
	(2,935,625)	-

(All amounts in Saudi Riyals unless otherwise stated)

22 Income tax and zakat matters (continued)

22.3 Zakat and income tax refundable

	Zakat	Income tax	Total
1 April 2018	1,194,901	(4,246,298)	**(3,051,397)**
Provisions for the year	50,378	-	**50,378**
Adjustments related to prior periods	(167,207)	-	**(167,207)**
Advance tax adjustment	(1,027,694)	1,027,694	**-**
31 March 2019	50,378	(3,218,604)	**(3,168,226)**
1 April 2017	2,351,206	(6,476,884)	(4,125,678)
Provisions for the year	1,194,901	-	1,194,901
Adjustments related to prior periods	(120,620)	-	(120,620)
Advance tax adjustment	(2,230,586)	2,230,586	-
31 March 2018	1,194,901	(4,246,298)	(3,051,397)

22.4 Temporary and permanent differences

	2019	2018
Loss before zakat and tax	**(72,352,351)**	(74,714,902)
Temporary differences:		
- Depreciation	**6,418,854**	1,515,968
- Employee termination benefits	**2,973,012**	1,471,678
Permanent difference -		
- Other	**(64,145)**	975,790
Adjusted net loss for the year	**(63,024,630)**	(70,751,466)

22.5 Status of certificates and final assessments

The Company has obtained final assessments from the GAZT for the years through 2010. The assessments for the years from 2011 through 2018 are currently under review by the GAZT. The Company has obtained zakat certificates for the years through 2018.

22.6 Deferred tax assets

The balance comprises deductible temporary differences attributable to:

	31 March 2019
Carry forward losses	**18,468,282**
Employee benefit obligations	**921,959**
Provision for inventory obsolescence	**206,812**
Property, plant and equipment	**(16,661,428)**
Deductible temporary differences - net	**2,935,625**

As at 31 March 2018, the Company has not recognized deferred tax assets arising out of temporary differences and carry forward losses considering the uncertainty surrounding the realization of such asset as at that date.

(All amounts in Saudi Riyals unless otherwise stated)

22 Income tax and zakat matters (continued)

22.7 Deferred tax assets movement

Movement in deferred taxes is attributable to:

	Carry forward losses	Employee benefit obligations	Provision for inventory obsolescence	Property, plant and equipment	Total
1 April 2018	-	-	-	-	-
Credited / (charged) to: Statement of profit or loss and other comprehensive income	18,468,282	921,959	206,812	(16,661,428)	2,935,625
31 March 2019	**18,468,282**	**921,959**	**206,812**	**(16,661,428)**	**2,935,625**

23 Related party transactions and balances

The Company is controlled by Welspun Corp Limited (the "Ultimate Parent Company") which indirectly owns 50.01% of the Company's shares.

Related parties comprise the shareholders, the Ultimate Parent Company, affiliated companies in the group which are directly or indirectly controlled by the Ultimate Parent Company ("Associated Companies"), directors and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest ("other related parties").

(a) Following are the significant transactions entered into by the Company:

Nature of transactions and relationship	**2019**	**2018**
Sales to associated company	**4,415,557**	4,706,193
Purchases and other related services from the Ultimate Parent Company	**14,317,268**	25,801,237
Costs charged by associated companies	**2,964,090**	6,128,952
Financial charges charged by the shareholders	**5,558,826**	5,558,826

(b) Key management personnel compensation:

	2019	**2018**
Salaries and other short-term employee benefits	**772,931**	2,403,960
Post employment benefits	**29,709**	-
	802,640	2,403,960

(c) Loans from shareholders

These represent funding obtained from shareholders which carry financial charges at prevailing market rates. These loans are due for repayment in 2020.

(All amounts in Saudi Riyals unless otherwise stated)

23 Related party transactions and balances (continued)

(a) Outstanding balances arising from sales / purchases of goods and services:

(i) Due from related parties

	31 March 2019	**31 March 2018**	**1 April 2017**
Welspun Middle East Pipes Coating Company	**27,492,305**	22,089,521	1,540,861
Welspun Trading Limited	**-**	-	26,274,343
Aziz European Pipe Factory, a shareholder	**-**	-	2,153,342
	27,492,305	22,089,521	29,968,546

(ii) Due to related parties

	31 March 2019	**31 March 2018**	**1 April 2017**
Aziz Company for Contracting & Industrial Investment	**3,174,077**	2,444,362	2,340,938
Ultimate Parent Company	**1,195,472**	170,098	199,302
Vision International Investment Company	**654,742**	122,736	1,251,199
Mohawareen Industrial Services, a shareholder	**106,551**	78,780	47,268
	5,130,842	2,815,976	3,838,707

24 Financial risk management

24.1 Financial risk factors

The Company's activities expose it to a variety of financial risks including the effects of changes in market risk (including currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by the senior management.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Senior management has overall responsibility for the establishment and oversight of the Company's risk management framework and is responsible for developing and monitoring the Company's risk management policies.

24 Financial risk management (continued)

24.1 Financial risk factors (continued)

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

(a) Market risk

(i) Foreign exchange risk

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 primarily in Saudi Riyals and United States dollars. Since Saudi Riyal is pegged to United States dollars, management of the Company believes that the currency risk for the financial instruments is not significant.

(ii) Fair value and cash flow interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company borrows at interest rates on commercial terms.

Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. During 2019 and 2018, the Company's borrowings were denominated in Saudi Riyals.

The long-term borrowings from commercial banks carry variable rates of interest. The Company analyses its interest rate exposure on a regular basis and reassesses the source of borrowings and renegotiates interest rates at terms favourable to the Company. At 31 March 2019, if the interest rate were to shift by 1%, there would be a maximum increase or decrease in the interest expense by Saudi Riyals 0.75 million (2018: Saudi Riyals 0.9 million).

The short-term borrowing interest rates with banks are subject to change upon re-negotiation of the facilities which takes place on at frequent intervals. At 31 March 2019, if the interest rate were to shift by 1%, there would be a maximum increase or decrease in the interest expense by Saudi Riyals 1.8 million (2018: nil).

(iii) Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company's financial assets and liabilities are not exposed to price risk.

24 Financial risk management (continued)

24.1 Financial risk factors (continued)

(b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk in respect of:

- Payment of trade receivables; and
- Contractual cash flows related to other financial assets carried at amortised costs.

Trade receivables:

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. At 31 March 2019, 92% of trade receivables were due from a single customer (2018: 85% of trade receivables was due from a customer). Management believes that this concentration of credit risk is mitigated as such receivable is from a quasi-government customer having an established track record of timely payments.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivable. The Company has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of receivables.

The Company establishes ECL allowance that represents its estimate of potential losses in respect of trade and other receivables. The main components of this loss are a specific loss component that relates to individual exposures and a collective loss component established for similar assets in respect of any potential losses that may have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry in which customers operate, has less of an influence on credit risk.

Credit risk on related parties is considered minimal as management monitors and reconciles amounts due from related parties on a regular basis and recoverability is not considered to be doubtful. Management does not expect any losses from non-performance by such related parties.

Other financial assets carried at amortised costs:

Other financial assets at amortised cost include other receivables. The instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Management consider 'low credit risk' for other receivables. Accordingly, no ECL allowance was made against other receivables.

Cash at banks:

For banks, parties generally with a minimum rating of P-1 are accepted. The stated rating is as per the global bank ratings by Moody's Investors Service. Management does not expect any losses from non-performance by these counterparties.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Company has access to credit facilities. Also see note 1.

(All amounts in Saudi Riyals unless otherwise stated)

24 Financial risk management (continued)

24.1 Financial risk factors (continued)

(b) Liquidity risk (continued)

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal ratio targets.

The table below analyses the Company's financial liabilities into the relevant maturity companyings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	Less than one year	1 to 2 Years	Total
2019			
Long-term borrowings	37,500,000	37,500,000	75,000,000
Future interest on long-term borrowings	3,070,875	828,875	3,899,750
Long-term loans from shareholders	-	105,882,396	105,882,396
Future interest on long-term loans from shareholders	5,558,826	5,558,826	11,117,652
Short-term borrowings	187,123,925	-	187,123,925
Trade and other payables	279,646,318	-	279,646,318
	512,899,944	149,770,097	662,670,041

	Less than one year	1 to 2 Years	Total
2018			
Long-term borrowings	18,750,000	75,000,000	93,750,000
Future interest on long-term borrowings	4,266,797	4,233,281	8,500,078
Long-term loans from shareholders	-	105,882,396	105,882,396
Future interest on long-term loans from shareholders	5,558,826	5,558,826	11,117,652
Trade and other payables	108,377,309	-	108,377,309
	136,952,932	190,674,503	327,627,435

24.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the statement of financial position, less cash and cash equivalent. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratios at 31 March were as follows:

	2019	2018
Total borrowings	**402,109,348**	231,205,236
Less: cash and cash equivalents	**(16,237,420)**	(59,192,202)
Net debt	**385,871,928**	172,013,034
Total equity	**40,901,926**	111,564,013
Total capital	**426,773,854**	283,577,047
Gearing ratio	**90%**	61%

(All amounts in Saudi Riyals unless otherwise stated)

24 Financial risk management (continued)

24.3 Net debt reconciliation

The net debt of the Company is as follows:

	2019	2018
Cash and cash equivalents	**16,237,420**	59,192,202
Long-term loans from shareholders	**(105,882,396)**	(105,882,396)
Short term borrowings	**(187,123,925)**	-
Long-term borrowings - payable within one year	**(71,603,027)**	(26,288,610)
Long-term borrowings - payables after one year	**(37,500,000)**	(99,034,230)
Net debt	**(385,871,928)**	(172,013,034)

The Company's net debt reconciliation is as follows

	Cash and cash equivalents	Long-term loans from shareholders	Short term borrowings	Long-term borrowings - repayable within one year	Long-term borrowings - repayable after one year	Total
1 April 2017	37,432,004	(105,882,396)	-	(29,101,782)	(139,106,590)	(236,658,764)
Cashflows	21,760,198	-	-	42,395,000	-	64,155,198
Transfer	-	-	-	(40,072,360)	40,072,360	-
Others	-	-	-	490,532	-	490,532
31 March 2018	59,192,202	(105,882,396)	-	(26,288,610)	(99,034,230)	(172,013,034)
Cashflows	(42,954,782)	-	(187,123,925)	16,219,813	-	(213,858,894)
Transfer	-	-	-	(61,534,230)	61,534,230	-
31 March 2019	**16,237,420**	**(105,882,396)**	**(187,123,925)**	**(71,603,027)**	**(37,500,000)**	**(385,871,928)**

25 Categories of financial instruments

The accounting policies for financial instruments have been applied to the line items below:

	Financial assets carried at amortised cost	
31 March	**2019**	**2018**
Assets as per statement of financial position		
Trade and other receivables	**292,093,404**	76,806,699
Cash and cash equivalents	**16,237,420**	59,192,202
Total	**308,330,824**	135,998,901

(All amounts in Saudi Riyals unless otherwise stated)

25 Categories of financial instruments (continued)

	Financial liabilities carried at amortised cost	
31 March	**2019**	**2018**
Liabilities as per statement of financial position		
Long-term borrowings	**37,500,000**	99,034,230
Long-term loans from shareholders	**105,882,396**	105,882,396
Current portion of long-term borrowings	**71,603,027**	26,288,610
Trade and other payables	**279,646,318**	108,377,309
Short-term borrowings	**187,123,925**	-
Total	**681,755,666**	339,582,545

For the purpose of the financial instruments disclosure, non-financial assets and non-financial liabilities amounting to Saudi Riyals 64.0 million and Saudi Riyals 58.2 million respectively (2018: Saudi Riyals 7.2 million and Saudi Riyals 0.56 million respectively) have been excluded from trade and other receivables and trade and other payables, respectively.

26 Operating leases

The Company has operating leases for land, office premises and employees' housing which generally have terms ranging from one to twelve years. Rental expense under such leases amounted to Saudi Riyals 5.7 million (2018: Saudi Riyals 5.7 million).

Commitments for minimum lease payments under non-cancelable operating leases as of March 31 are as follows:

	2019	**2018**
Years ending March 31:		
Within one year	**4,709,900**	5,263,884
Within two to five years	**6,251,912**	11,777,868
After five years	**5,072,724**	5,636,360
	16,034,536	22,678,112

27 Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The Company has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements. Management regularly reviews significant unobservable inputs and valuation adjustments.

As at 31 March 2019 and 2018, the fair values of the Company's financial instruments are estimated to approximate their carrying values since the financial instruments which do not bear interest are short term in nature and are expected to be realized at their current carrying values within twelve months from the date of statement of financial position, while the financial instruments which bear interest are at variable interest rates, adjusted in line with prevailing market rates..

28 Contingencies and commitments

As at 31 March 2019, the Company was contingently liable for letters of credits and guarantees in the normal course of business amounting to Saudi Riyals 876.0 million (2018: Saudi Riyals 276.0 million).

WELSPUN MIDDLE EAST PIPES COMPANY
(A LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020
AND INDEPENDENT AUDITOR'S REPORT

WELSPUN MIDDLE EAST PIPES COMPANY
(A limited liability company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

Independent auditor's report to the shareholders of Welspun Middle East Pipes Company

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Welspun Middle East Pipes Company (the "Company") as at 31 March 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

What we have audited

The Company's financial statements comprise:

- the statement of profit or loss and other comprehensive income for the year ended 31 March 2020;
- the statement of financial position as at 31 March 2020;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's Articles of Association, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, i.e. Board of Directors, are responsible for overseeing the Company's financial reporting process.

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Independent auditor's report to the shareholders of Welspun Middle East Pipes Company (continued)

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 International Standards on Auditing, that are 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, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

PricewaterhouseCoopers

Ali H. Al Basri
License Number 409

17 June 2020

WELSPUN MIDDLE EAST PIPES COMPANY
(A limited liability company)
Statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 March 2020	2019
Revenue	4	**1,668,863,844**	707,189,741
Cost of revenue	5	**(1,332,511,587)**	(725,957,826)
Gross profit (loss)		**336,352,257**	(18,768,085)
General and administrative expenses	6	**(12,705,941)**	(14,788,986)
Selling and marketing expenses	7	**(7,657,200)**	(11,516,183)
Expected credit loss allowance	14	**(3,927,679)**	-
Other operating income - net	8	**2,599,042**	738,906
Operating profit (loss)		**314,660,479**	(44,334,348)
Financial costs	9	**(48,110,487)**	(28,018,003)
Profit (loss) before zakat and income tax		**266,549,992**	(72,352,351)
Zakat expense	23	**(4,577,027)**	116,829
Income tax expense	23	**(25,039,146)**	2,935,625
Profit (loss) for the year		**236,933,819**	(69,299,897)
Other comprehensive loss			
Item that will not be reclassified to profit or loss			
Remeasurements of employee benefit obligations	21	**(1,273,370)**	(1,362,190)
Total comprehensive income (loss) for the year		**235,660,449**	(70,662,087)
Earnings (loss) per share:			
Basic and diluted	28	**3.12**	(0.91)

The accompanying notes are an integral part of these financial statements.

WELSPUN MIDDLE EAST PIPES COMPANY
(A limited liability company)
Statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 March 2020	2019
Assets			
Non-current assets			
Property, plant and equipment	10	**229,732,636**	253,537,259
Right-of-use assets	11	**31,285,041**	-
Intangible assets	12	**126,149**	331,800
Deferred tax asset	23	-	2,935,625
Total non-current assets		**261,143,826**	256,804,684
Current assets			
Inventories	13	**175,783,794**	196,180,959
Trade and other receivables	14	**642,498,613**	356,137,767
Zakat and income tax refundable	23	-	3,168,226
Cash and cash equivalents	15	**69,124,120**	16,237,420
Total current assets		**887,406,527**	571,724,372
Total assets		**1,148,550,353**	828,529,056
Equity and liabilities			
Equity			
Share capital	16	**76,046,875**	76,046,875
Statutory reserve	17	**20,178,886**	-
Retained earnings (accumulated losses)		**180,336,614**	(35,144,949)
Total equity		**276,562,375**	40,901,926
Liabilities			
Non-current liabilities			
Long-term borrowings	18	-	37,500,000
Long-term loans from shareholders	24	**105,882,396**	105,882,396
Lease liabilities	20	**25,107,677**	-
Deferred tax liability	23	**738,776**	-
Employee benefit obligations	21	**12,033,140**	9,217,750
Advance from a customer	22	-	38,371,501
Total non-current liabilities		**143,761,989**	190,971,647
Current liabilities			
Trade and other payables	22	**191,828,710**	337,928,531
Current portion of long-term borrowings	18	**70,739,125**	71,603,027
Current portion of lease liabilities	20	**6,616,727**	-
Short-term borrowings	19	**436,427,715**	187,123,925
Zakat and income tax payable	23	**22,613,712**	-
Total current liabilities		**728,225,989**	596,655,483
Total liabilities		**871,987,978**	787,627,130
Total equity and liabilities		**1,148,550,353**	828,529,056

These financial statements including accompanying notes were authorized for issue by the Company's Board of Directors on 17 June 2020 and signed on their behalf by:

WELSPUN MIDDLE EAST PIPES COMPANY
(A limited liability company)
Statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Welspun Mauritius Holdings Company Ltd.	Mohawareen Industrial Services	Aziz European Pipe Factory	Vision International Investment Co.	Aziz Company for Contracting & Industrial Investment	Total
Share capital							
1 April 2018 and 31 March 2019		38,031,042	3,794,739	34,221,094	-	-	76,046,875
Change in shareholders	16	-	-	(34,221,094)	12,547,734	21,673,360	-
31 March 2020		38,031,042	3,794,739	-	12,547,734	21,673,360	**76,046,875**
Statutory reserve							
1 April 2018		12,807,154	1,277,898	11,524,134	-	-	25,609,186
Transfer to retained earnings	17	(12,807,154)	(1,277,898)	(11,524,134)	-	-	(25,609,186)
31 March 2019		-	-	-	-	-	-
Transfer from retained earnings	17	10,091,461	1,006,926	-	3,329,516	5,750,983	**20,178,886**
31 March 2020		10,091,461	1,006,926	-	3,329,516	5,750,983	**20,178,886**
Retained earnings (accumulated losses)							
1 April 2018		10,522,254	(198,825)	(415,477)	-	-	9,907,952
Loss before zakat and income tax		(36,183,411)	(3,610,382)	(32,558,558)	-	-	(72,352,351)
Other comprehensive loss for the year		(681,231)	(67,973)	(612,986)	-	-	(1,362,190)
Zakat and income tax expense	23	2,935,625	11,662	105,167	-	-	3,052,454
Transfer from statutory reserve	17	12,807,154	1,277,898	11,524,134	-	-	25,609,186
31 March 2019		(10,599,609)	(2,587,620)	(21,957,720)	-	-	(35,144,949)
Profit before zakat and income tax for the period from 1 April 2019 to 31 October 2019		49,436,395	4,932,766	44,483,858	-	-	**98,853,019**
Zakat and income tax expense for the period from 1 April 2019 to 31 October 2019	23	(9,887,279)	(139,274)	(1,255,975)	-	-	**(11,282,528)**
Other comprehensive income for the period from 1 April 2019 to 31 October 2019		-	-	-	-	-	-
31 October 2019		28,949,507	2,205,872	21,270,163	-	-	**52,425,542**

(continued)

WELSPUN MIDDLE EAST PIPES COMPANY
(A limited liability company)
Statement of changes in equity (continued)
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Welspun Mauritius Holdings Company Ltd.	Mohawareen Industrial Services	Aziz European Pipe Factory	Vision International Investment Co.	Aziz Company for Contracting & Industrial Investment	Total
Retained earnings (accumulated losses) (continued)							
Change in shareholders	16	-	-	(21,270,163)	7,799,060	13,471,103	-
Profit before zakat and income tax for the period from 1 November 2019 to 31 March 2020		83,865,256	8,368,079	-	27,670,001	47,793,637	**167,696,973**
Other comprehensive loss for the period from 1 November 2019 to 31 March 2020	21	(636,812)	(63,541)	-	(210,107)	(362,910)	**(1,273,370)**
Zakat and income tax expense for the period from 1 November 2019 to 31 March 2020	23	(15,151,867)	(317,605)	-	(1,050,197)	(1,813,976)	**(18,333,645)**
Transfer to statutory reserve	17	(10,091,461)	(1,006,926)	-	(3,329,516)	(5,750,983)	**(20,178,886)**
31 March 2020		86,934,623	9,185,879	-	30,879,241	53,336,871	**180,336,614**
Total equity							
31 March 2020		**135,057,126**	**13,987,544**	-	**46,756,491**	**80,761,214**	**276,562,375**
31 March 2019		27,431,433	1,207,119	12,263,374	-	-	40,901,926

The accompanying notes are an integral part of these financial statements.

WELSPUN MIDDLE EAST PIPES COMPANY
(A limited liability company)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 March 2020	2019
Cash flows from operating activities			
Profit (loss) before zakat and income tax		**266,549,992**	(72,352,351)
Adjustments for:			
Depreciation	10, 11	**33,593,894**	25,955,411
Amortization	12	**215,651**	212,449
Gain from sale of property and equipment		**(36,451)**	(64,145)
Gain on early termination of lease liabilities		**(116,619)**	-
Provision (reversal) for inventory obsolescence	13	**3,731,391**	(331,655)
Expected credit loss allowance	14	**3,927,679**	-
Financial costs	9	**48,110,487**	28,018,003
Provision for employee benefit obligations	21	**1,631,150**	1,169,360
Changes in operating assets and liabilities:			
Decrease (increase) in inventories		**16,665,774**	(139,058,334)
Increase in trade and other receivables		**(290,288,525)**	(272,155,794)
(Decrease) increase in trade and other payables		**(184,827,371)**	262,007,576
Cash used in operations		**(100,842,948)**	(166,599,480)
Financial costs paid		**(46,850,691)**	(21,123,514)
Employee benefit obligations paid	21	**(470,880)**	(167,710)
Zakat and income tax paid	23	**(159,834)**	-
Net cash outflow from operating activities		**(148,324,353)**	(187,890,704)
Cash flows from investing activities			
Payments for purchases of property, plant and equipment	10	**(2,919,489)**	(23,467,979)
Payments for purchases of intangible assets	12	**(10,000)**	(39,529)
Proceeds from sale of property and equipment		**36,451**	69,505
Net cash outflow from investing activities		**(2,893,038)**	(23,438,003)
Cash flows from financing activities			
Changes in short-term borrowings		**247,917,891**	187,123,925
Repayments of long-term borrowings		**(37,500,000)**	(18,750,000)
Repayments of lease liabilities		**(6,313,800)**	-
Net cash inflow from financing activities		**204,104,091**	168,373,925
Net change in cash and cash equivalents		**52,886,700**	(42,954,782)
Cash and cash equivalents at beginning of year		**16,237,420**	59,192,202
Cash and cash equivalents at end of year	15	**69,124,120**	16,237,420

Non-cash investing and financing activities:
Recognition of right-of-use assets and corresponding lease liabilities (See Notes 2.1.3, 11 and 20)

The accompanying notes are an integral part of these financial statements.

1 General information

Welspun Middle East Pipes Company (the "Company") is engaged in manufacturing and sale of spiral steel pipes.

The Company is a limited liability company licensed under foreign investment license number 121031118992 issued by the Ministry of Investment (previously the 'Saudi Arabian General Investment Authority') on 22 Rajab 1431H (4 July 2010) operating under commercial registration number 2050071522 issued in Dammam on 22 Rajab 1431H (4 July 2010). The registered address of the Company is P.O. Box 12943, Dammam 31483, Kingdom of Saudi Arabia.

During 2019, the Board of Directors ("BoDs") of the Company recommended to initiate legal formalities to file the Company's Initial Public Offering ("IPO") with the relevant regulatory authorities in the Kingdom of Saudi Arabia. As of 31 March 2020, the IPO was subject to various approvals including approval from the shareholders of the Company.

During 2019, the BoDs of the Company recommended to merge the Company with Welspun Middle East Pipes Coating Company ("WMEPC"), a limited liability company registered in the Kingdom of Saudi Arabia owned by the Company's shareholders in the same shareholding proportion ("common control").

Subsequent to 31 March 2020 and based on the BoDs recommendation, the Company's shareholders signed an agreement on 14 May 2020, whereby it was agreed to merge WMEPC's operations and all its assets, rights, liabilities and obligations with WMEP. Under the terms of the above-mentioned agreements and as both the Company and WMEPC are under common control, there is no consideration to be paid and the carrying values of assets and liabilities of the WMEPC will be transferred to WMEP on the effective date of merger. The legal formalities relating to the merger activities were in process as of the date of the approval of these financial statements.

In response to the spread of the Covid-19 pandemic in the GCC and other territories where the Company operates and its consequential disruption to the social and economic activities in those markets, the Company's management has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures, including activation of the crisis management team and associated processes to:

- ensure the health and safety of its employees and contractors as well as the wider community where it is operating.
- minimizing the impact of the pandemic on its operations and product supply to the market.

Notwithstanding these challenges, the Company was successful in maintaining stable operations while maneuvering limited demand interruptions to maintain product flow to the market. The Company's management believes that the Covid-19 pandemic, by itself, has had limited direct material effects on Company's reported results for the year ended 31 March 2020. The Company's management continues to monitor the situation closely.

2 Summary of significant accounting policies

The principal accounting policies applied for the preparation of financial statements of the Company are set out below. The accounting policies have been consistently applied to all the years presented, except for the policy on leases which was changed due to the adoption of new accounting standard IFRS 16 'Leases' ("IFRS 16") as explained in 2.1.3.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation

2.1.1 Statement of compliance

These financial statements of the Company have been prepared in compliance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia ("IFRS"), and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA").

2.1.2 Historical cost convention

These financial statements are prepared under the historical cost convention except where IFRS requires other measurement basis as disclosed in the relevant accounting policies.

2.1.3 New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their reporting periods commencing on or after 1 April 2019.

Amendment to IFRS 9, 'Financial instruments', on modification of financial liabilities

This amendment applies when a financial liability, measured at amortised cost, is modified without this resulting in a de-recognition, a gain or loss should be recognised immediately in the profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39. No material impact was identified.

Annual improvements to IFRS Standards 2015 - 2017

These amendments include minor changes to IAS 23 - Borrowing costs - a company treats as part of general borrowings any long-term borrowing originally made to develop a qualified asset when the asset is ready for its intended use or sale. No material impact was identified.

Amendments to IAS 19 - Employee benefits on plan amendment, curtailment or settlement

These amendments require an entity to:

- use updated assumptions to determine the current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement and
- recognise in profit or loss as part of past service cost, a gain or a loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

No material impact was identified.

International Financial Reporting Interpretations Committee ("IFRIC") 23 - Uncertainty over income tax treatments

This IFRIC clarifies how the recognition and measurement requirements of IAS 12 - Income taxes, are to apply where there is uncertainty over income tax treatments. The IFRIC had clarified previously that IAS 12, not "IAS 37 - Provisions, contingent liabilities and contingent assets", applies to accounting for uncertain income tax treatments.

IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority.

(All amounts in Saudi Riyals unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.3 New and amended standards adopted by the Company (continued)

International Financial Reporting Interpretations Committee ("IFRIC") 23 - Uncertainty over income tax treatments (continued)

IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Company has also assessed the impact of the application of the interpretation related to uncertainty over income tax treatments and has incorporated the relevant adjustments in the financial statements. No material impact was identified.

Adoption of IFRS 16

a) Transition approach and impact

The Company has adopted IFRS 16 from 1 April 2019, using the modified retrospective method, and has not restated comparatives for the 31 March 2019 reporting period, as permitted under the specific transitional provisions in IFRS 16. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the statement of financial position on 1 April 2019.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of 1 April 2019. The equal and opposite side of the lease liability calculated, is the right-of-use asset. Therefore, there is no adjustment against opening accumulated deficit as at the transition date i.e. 1 April 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 4.50%.

The adoption of IFRS 16 has resulted in recognition of right-of-use assets and lease liabilities of Saudi Riyals 38.6 million as of 1 April 2019. In applying IFRS 16 for the first time, the Company has not used any practical expedient permitted by the standard.

b) Reconciliation of operating lease commitments disclosed as at 31 March 2019 and lease liabilities recognized as at 1 April 2019:

	Saudi Riyals
Operating lease commitments disclosed as at 31 March 2019	17,198,172
Adjustment as a result of assessment of lease contracts under IFRS 16	27,305,764
Less: Impact of discounting using the Company's incremental borrowing rate at the date of initial application	(5,919,952)
Lease liabilities recognized as at 1 April 2019	38,583,984
Of which are:	
Current portion of lease liabilities	6,505,800
Non-current portion of lease liabilities	32,078,185
	38,583,984

2.1.4 Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2020 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact in the current or future reporting periods and on foreseeable future transactions.

2 Summary of significant accounting policies (continued)

2.2 Revenue

Revenue is measured at the fair value of the consideration received or receivable net of returns, allowances and trade discounts for the sale of goods in the ordinary course of the Company's activities. The Company recognizes revenue when control of the goods has transferred, being when the products are delivered to the customer, the customer has full discretion over the use or sale of such goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been acknowledged by the customer through third party inspection documents and material release notes, the risks of obsolescence and loss have been transferred to the customer, the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered or acknowledged by the customer as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Company does not have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

2.3 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in "Saudi Riyals", which is the Company's presentation as well as functional currency.

(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 other than Saudi Riyals are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

2.4 Zakat and taxes

In accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"), the Company is subject to zakat attributable to Saudi shareholding and to income tax attributable to the foreign shareholding in the Company. Provisions for zakat and income tax are charged to profit or loss for the year. Additional amounts, if any, are accounted for when determined to be required for payment. Further, the amounts for zakat and income tax expense for the year are presented in the statement of changes in equity in accordance with the guidance issued by SOCPA for companies with mixed ownership in line with the terms of the agreement between the shareholders of the Company.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred income tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 Summary of significant accounting policies (continued)

2.4 Zakat and taxes (continued)

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Company withholds tax on certain transactions with non-resident parties in the Kingdom of Saudi Arabia, including dividends payment to the foreign shareholder, as required under the Saudi Arabian Income Tax Law.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on property, plant and equipment so as to allocate its cost, less estimated residual value, on a straight-line basis over the estimated useful lives of the assets. The depreciation expense is recognised in profit or loss in the expense category consistent with the function of the property, plant and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. Major spare parts qualify for recognition as property, plant and equipment when the Company expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use

Assets in the course of construction or development are capitalised in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of capital work-in-progress intended by management. Capital work-in-progress is not depreciated.

2 Summary of significant accounting policies (continued)

2.6 Leases

2.6.1 Accounting policy applied from 1 April 2019

At the inception of the contract the Company assesses whether a contract is or contains a lease. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease liabilities

The lease liability is initially measured at the net present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the individual lessee, which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security.

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

2 Summary of significant accounting policies (continued)

2.6 Leases (continued)

2.6.1 Accounting policy applied from 1 April 2019 (continued)

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due); and
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 “Provisions, contingent liabilities and contingent assets”. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the Right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 “Impairment of Assets” to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the profit or loss.

2.6.2 Following lease accounting policy was applied until 31 March 2019

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

2 Summary of significant accounting policies (continued)

2.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be finite.

Intangible assets are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and carrying amount of the asset and are recognized in the profit or loss when the asset is derecognised.

2.8 Financial instruments

2.8.1 Financial assets

(a) Classification

The Company classifies its financial assets as measured at amortised cost. See Note 26 for details of each type of financial asset. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(b) Recognition and derecognition

At initial recognition, the Company measure financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset. Transactions cost of financial assets carried at fair value through profit or loss are expensed in profit or loss.

The Company derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

(c) Measurement

Subsequent measurement of financial assets depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. The Company classifies its financial assets as measured at amortised cost. Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest are measure at amortised cost. A gain or loss on a financial instrument that is subsequently measured at amortized cost and is not part of the hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is calculated using the effective interest rate method.

Currently, the Company does not hold any equity instruments, therefore the related accounting policies are not presented.

2 Summary of significant accounting policies (continued)

2.8 Financial instruments (continued)

2.8.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss.

2.8.3 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and net amounts are 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 assets and liabilities simultaneously.

2.9 Impairment of financial assets

The Company assesses on a forward looking basis the Expected Credit Loss ("ECL") associated with its financial assets carried at amortized cost. Refer Note 25, which details how the Company determines whether there has been a change in credit risk.

For trade receivables and other financial assets, the Company applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables. The amount of the loss is charged to profit or loss.

The loss rates are based on probability of default based on historical trends relating to collections of Company's trade receivables. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant decrease in credit worthiness of the customer, the failure of the customer to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 720 days past due.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in profit or loss.

2.10 Impairment of non-financial assets excluding inventories

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash-Generating Unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

2 Summary of significant accounting policies (continued)

2.10 Impairment of non-financial assets excluding inventories (continued)

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

2.11 Inventories

Raw materials and spares, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Allowance for inventory obsolescence is made considering various factors including age of the inventory items, historic usage and expected utilization in future.

2.12 Trade receivables

Trade receivables are amounts due from customers for products sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less allowance for ECL.

2.13 Cash and cash equivalents

For the purpose of statement of financial position and presentation in the statement of cash flows, cash and cash equivalents include cash in hand, cash at banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Share capital

Ordinary shares are classified as equity.

2.15 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are initially recognised at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, long-term borrowings are measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

2 Summary of significant accounting policies (continued)

2.16 Borrowings (continued)

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as "other operating income - net" or "financial costs".

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

2.17 Employee benefit obligations

The Company operates a single post-employment benefit scheme of defined benefit plan driven by the labor laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plan is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income and transferred to retained earnings in the statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor laws of the Kingdom of Saudi Arabia.

2.18 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, and which are reviewed by the Chief Operating Decision Maker of the Company.

The BoDs of the Company assesses the financial performance and position of the Company, and makes strategic decisions. The BoDs has been identified as being the Chief Operating Decision Maker.

The financial statements are prepared on the basis of a single reporting segment consistent with the information reviewed by the Chief Operating Decision Maker of the Company. The business activities of the Company are concentrated in the Kingdom of Saudi Arabia. All operating assets of the Company are located in the Kingdom of Saudi Arabia.

2 Summary of significant accounting policies (continued)

2.19 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates and judgments 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 revenue 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 judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. However, as explained in Note 1, Management, through the crisis management team, has proactively assessed the potential of the Covid-19 pandemic for any further regulatory and government restrictions both locally and in the market in which the Company operates that could adversely affect our supply chain and our production capabilities, demand of our products, as well as our sales distribution network that could cause a negative impact on our financial performance. Management has concluded that our critical accounting judgements, estimates and assumptions remain appropriate under the current circumstances.

The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve month period are discussed below:

Useful lives of property, plant and equipment

The Company's management determines the estimated useful lives of property, plant and equipment for computing depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Residual value and useful lives are reviewed annually and future depreciation charges are adjusted where the useful lives differ from previous estimates. See Note 10 for the estimated useful lives of the property, plant and equipment. At 31 March 2020, if the useful lives varied by 10% against the current useful lives with all other variables held constant, the impact on profit for the year would have been Saudi Riyals 2.7 million.

(All amounts in Saudi Riyals unless otherwise stated)

3 Critical accounting estimates and judgments (continued)

Right-of-use assets and lease liabilities

Extension and termination options are included in a number of leases of the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations.

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

For leases of parcels of land and buildings, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate);
- if any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate); and
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

4 Revenue

	2020	**2019**
Revenue - point in time	**1,668,863,844**	707,189,741

Revenue includes scrap sales of Saudi Riyals 25.7 million which represent sale of off-spec pipes and certain other ancillary products. For better presentation, management has classified such scrap sales as revenue for the year ended 31 March 2020 in the statement of profit or loss and other comprehensive income and has reclassified the 2019 comparative amount for such scarp sales of Saudi Riyals 17.3 million accordingly which was presented under 'Other operating income - net' in the statement of profit or loss and other comprehensive income to conform with current year's presentation.

5 Cost of revenue

	Note	**2020**	**2019**
Cost of materials		**1,206,407,345**	629,968,144
Salaries and benefits		**48,006,831**	34,197,526
Depreciation	10, 11	**33,288,915**	25,447,155
Sub-contractors costs		**20,431,303**	14,289,840
Provision (reversal) for inventory obsolescence	13	**3,731,391**	(331,655)
Packing material		**3,512,023**	2,112,708
Amortization	12	**172,521**	205,955
Other		**16,961,258**	20,068,153
		1,332,511,587	725,957,826

(All amounts in Saudi Riyals unless otherwise stated)

6 General and administrative expenses

	Note	2020	2019
Salaries and benefits		**9,150,288**	10,798,494
Professional fee		**776,399**	1,232,298
Utilities		**504,917**	584,683
Repair		**295,462**	142,343
Rent		**269,949**	242,798
Depreciation	10	**221,976**	201,642
Travel		**104,302**	154,348
Amortization	12	**43,130**	6,493
Other		**1,339,518**	1,425,887
		12,705,941	14,788,986

7 Selling and marketing expenses

	Note	2020	2019
Rent		**4,999,526**	5,940,481
Salaries and benefits		**1,645,885**	4,349,508
Depreciation	10	**83,003**	306,614
Other		**928,786**	919,580
		7,657,200	11,516,183

8 Other operating income - net

	Note	2020	2019
Other operating income - net	4	**2,599,042**	738,906
		2,599,042	738,906

9 Financial costs

	Note	2020	2019
Financial costs on long-term borrowings	18	**2,330,924**	5,189,002
Financial costs on short-term borrowings	19	**25,821,712**	7,970,448
Financial costs on loans from shareholders	24	**5,574,055**	5,558,826
Financial costs on lease liabilities	20	**1,482,128**	-
Unwinding of Saudi Industrial Development Fund (“SIDF”) commitment fees	18	**440,770**	755,640
Accretion of employee termination obligations	21	**381,750**	322,380
Letter of credit facilities charges		**10,352,430**	8,221,707
Other		**1,726,718**	-
		48,110,487	28,018,003

WELSPUN MIDDLE EAST PIPES COMPANY
(A limited liability company)
Notes to the financial statements for the year ended 31 March 2020
(All amounts in Saudi Riyals unless otherwise stated)

10 Property, plant and equipment

	1 April 2019	Additions	Disposals/ transfer	31 March 2020
2020				
Cost				
Buildings and leasehold improvements	46,327,776	-	-	**46,327,776**
Plant and machinery	424,030,406	135,841	-	**424,166,247**
Furniture, fixtures and office equipment	2,977,032	228,659	-	**3,205,691**
Vehicles	1,504,922	90,464	(247,000)	**1,348,386**
Capital work-in-progress	564,875	2,464,525	-	**3,029,400**
	475,405,011	2,919,489	(247,000)	**478,077,500**
Accumulated depreciation				
Buildings and leasehold improvements	(19,365,185)	(2,568,075)	-	**(21,933,260)**
Plant and machinery	(198,411,388)	(23,904,905)	-	**(222,316,293)**
Furniture, fixtures and office equipment	(2,727,915)	(155,636)	-	**(2,883,551)**
Vehicles	(1,363,264)	(95,496)	247,000	**(1,211,760)**
	(221,867,752)	(26,724,112)	247,000	**(248,344,864)**
	253,537,259			**229,732,636**

	1 April 2018	Additions	Disposals/ Transfer	31 March 2019
2019				
Cost				
Buildings and leasehold improvements	45,036,269	-	1,291,507	46,327,776
Plant and machinery	402,376,453	3,175,767	18,478,186	424,030,406
Furniture, fixtures and office equipment	2,934,081	108,890	(65,939)	2,977,032
Vehicles	1,736,592	-	(231,670)	1,504,922
Capital work-in-progress	216,408	20,183,322	(19,834,855)	564,875
	452,299,803	23,467,979	(362,771)	475,405,011
Accumulated depreciation				
Buildings and leasehold improvements	(16,860,794)	(2,504,391)	-	(19,365,185)
Plant and machinery	(175,253,482)	(23,157,906)	-	(198,411,388)
Furniture, fixtures and office equipment	(2,685,684)	(167,972)	125,741	(2,727,915)
Vehicles	(1,469,792)	(125,142)	231,670	(1,363,264)
	(196,269,752)	(25,955,411)	357,411	(221,867,752)
	256,030,051			253,537,259

(All amounts in Saudi Riyals unless otherwise stated)

10 Property, plant and equipment (continued)

Depreciation is calculated on straight-line basis over the following estimated useful lives of the assets:

	Number of years
• Buildings and leasehold improvements	10 - 20
• Plant and machinery	2 - 20
• Furniture, fixtures and office equipment	2 - 5
• Vehicles	3 - 5

11 Right-of-use assets

	Land	Building	Total
Cost			
IFRS 16 adjustment:			
Initial recognition of right-of-use assets upon adoption of IFRS 16	35,642,206	2,941,778	**38,583,984**
Additions during the year	-	-	-
Terminations during the year	-	(528,198)	**(528,198)**
31 March 2020	35,642,206	2,413,580	**38,055,786**
Accumulated depreciation			
1 April 2019	-	-	-
Depreciation	(6,167,350)	(702,432)	**(6,869,782)**
Terminations during the year	-	99,037	**99,037**
31 March 2020	(6,167,350)	(603,395)	**(6,770,745)**
Net book value			
31 March 2020	29,474,856	1,810,185	**31,285,041**

The Company has leases in respect of various parcels of land and building. Rental contracts are typically made for fixed periods of 3 to 16 years and considered an extension option where the Company's management is reasonably certain to exercise.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets are not be used as security for borrowing purposes

During 2020 and 2019, the Company does not have any short-term or low value leases.

12 Intangible assets

	2020	2019
Cost		
1 April	**2,115,397**	2,075,868
Additions	**10,000**	39,529
31 March	**2,125,397**	2,115,397
Accumulated amortization		
1 April	**(1,783,597)**	(1,571,148)
Amortization for the year	**(215,651)**	(212,449)
31 March	**(1,999,248)**	(1,783,597)
Net book value	**126,149**	331,800

Intangible assets represents software and is amortized on a straight-line basis over their estimated useful life which is 3 years.

(All amounts in Saudi Riyals unless otherwise stated)

13 Inventories

	31 March 2020	31 March 2019
Raw materials	**81,127,481**	76,546,038
Work-in-progress	**3,730,327**	4,512,281
Finished products	**54,390,617**	105,366,299
Spare parts and supplies, not held for sale	**15,151,509**	11,824,049
Goods-in-transit	**27,182,959**	-
	181,582,893	198,248,667
Less: provision for inventory obsolescence	**(5,799,099)**	(2,067,708)
	175,783,794	196,180,959

Movement in provision for inventory obsolescence is as follows:

	2020	2019
1 April	**2,067,708**	2,399,363
Addition (reversal)	**3,731,391**	(331,655)
31 March	**5,799,099**	2,067,708

14 Trade and other receivables

	Note	31 March 2020	31 March 2019
Trade receivable		**548,759,150**	263,810,727
Less: ECL allowance		**(3,927,679)**	-
		544,831,471	263,810,727
Related parties	24	**89,828,620**	27,492,305
Advances to suppliers		**4,953,177**	1,886,425
Prepaid expenses		**2,408,751**	58,069,498
Other		**476,594**	4,878,812
		642,498,613	356,137,767

(a) Movement in ECL allowance is as follows:

	2020	2019
1 April	**-**	-
ECL allowance	**3,927,679**	-
31 March	**3,927,679**	-

	2020	2019
General ECL allowance	**2,927,679**	-
Specific ECL allowance	**1,000,000**	-
	3,927,679	-

(b) The Company applies the simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other financial assets. To measure the ECL allowance, trade receivables have been computed based on shared credit risk characteristics and the days past due.

14 Trade and other receivables (continued)

(c) The ageing analysis of the trade receivables and the expected loss rates are as follows:

	Days past due				
31 March 2020	**Current up to 90 days**	**91 - 180 days past due**	**181 - 365 days past due**	**More than 730 days**	**Total**
Expected loss rate	0.01% - 0.16%	0.02% - 0.25%	0.12% - 0.63%	100%	
Gross carrying amount - trade receivables	347,406,437	111,886,688	89,140,515	325,510	**548,759,150**
ECL allowance	711,810	702,903	1,187,456	325,510	**2,927,679**

	Days past due				
31 March 2019	**Current up to 90 days**	**91 - 180 days past due**	**181 - 365 days past due**	**More than 730 days**	**Total**
Expected loss rate	0.14%	-	1.88%	100%	
Gross carrying amount - trade receivables	263,482,376	-	328,351	-	263,810,727
ECL allowance	-	-	-	-	-

The expected loss rates are based on the payment profiles of sales over a period of 48 months before 31 March 2020 and 31 March 2019 respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and inflation rate of the country in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

(d) The carrying amounts of the Company's trade and other receivables are denominated in Saudi Riyals.

(e) The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to the credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

(f) The Company does not hold any collateral as security.

15 Cash and cash equivalents

	31 March 2020	**31 March 2019**
Cash in hand	**33,393**	8,051
Cash at bank	**69,090,727**	16,229,369
	69,124,120	16,237,420

(All amounts in Saudi Riyals unless otherwise stated)

16 Share capital

The share capital of the Company as of 31 March 2020 and 2019 comprised of 76,046,875 shares stated at Saudi Riyals 1 per share owned as follows:

	Country of incorporation	Shareholding percentage 2020	2019
Welspun Mauritius Holdings Company Ltd.	Mauritius	**50.01**	50.01
Aziz Company for Contracting & Industrial Investment	Saudi Arabia	**28.50**	-
Vision International Investment Co.	Saudi Arabia	**16.50**	-
Mohawareen Industrial Services	Saudi Arabia	**4.99**	4.99
Aziz European Pipe Factory	Saudi Arabia	**-**	45.00
		100.00	100.00

On 1 November 2019, the shareholding of the Company was changed and, accordingly, the Company amended its Articles of Association and foreign investment license issued by The Ministry of Investment to reflect the change in its shareholders.

17 Statutory reserve

In accordance with the Company's Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the profit for the year to a statutory reserve, after adjusting accumulated losses, until such reserve equals at least 30% of its share capital. This reserve currently is not available for distribution to the shareholders of the Company.

During the year ended 31 March 2019, the shareholders of the Company resolved to absorb the accumulated losses through transfer of Saudi Riyals 25.6 million from a statutory reserve to retained earnings in proportion to their existing shareholding percentages.

18 Long-term borrowings

	Note	31 March 2020	31 March 2019
SIDF	18.1	**32,698,000**	32,698,000
Commercial bank loan	18.2	**37,500,000**	75,000,000
		70,198,000	107,698,000
Less: unamortized transaction costs		**-**	(440,770)
Add: accrued financial costs		**541,125**	1,845,797
		70,739,125	109,103,027
Long-term borrowings are presented as follows:			
Current portion under current liabilities		**70,739,125**	71,603,027
Long-term portion under non-current liabilities		**-**	37,500,000

18 Long-term borrowings (continued)

18.1 SIDF loan

This represents loan obtained by the Company from SIDF of Saudi Riyals 125.2 million to finance the construction of the Company's plant facilities. The loan is denominated in Saudi Riyals. Up-front and annual administrative fees are charged by SIDF under the loan arrangement.

During 2018, the Company rescheduled the loan and as per the rescheduling agreement, the loan is payable in two un-equal semi-annual installments which are due in 2020. The covenants of the loan agreement require the Company to maintain certain level of financial conditions, place limitations on dividend distributions and on annual capital and rental expenditures and certain other matters. As at 31 March 2020, the Company was not in compliance with loan covenants related to annual rental expenditures of Saudi Riyals 7.5 million and to maintain the leverage ratio of not more than 3.1 as per the agreement with SIDF. The loan is secured by corporate guarantees provided by the shareholders. There was no implication on the Company for breach of covenants.

	31 March 2020	**31 March 2019**
Principal amount	**32,698,000**	32,698,000
less: unamortized transaction costs	**-**	(440,770)
	32,698,000	32,257,230
Long-term borrowings are presented as follows:		
Current portion under current liabilities	**32,698,000**	32,257,230
Long-term portion under non-current liabilities	**-**	-
	32,698,000	32,257,230

Movement in unamortized transaction costs is as follows:

	2020	**2019**
1 April	**440,770**	1,196,410
Less: amortization	**(440,770)**	(755,640)
31 March	**-**	440,770
Related to:		
Current portion presented under current liabilities	**-**	440,770
Non-current portion presented under non-current liabilities	**-**	-
	-	440,770

Maturity profile of SIDF

The total amount of such outstanding loan was due for repayment in two un-equal semi-annual installments during the year ending 31 March 2020. However, during the year-ended 31 March 2020, the Company has not paid the installments in accordance with the payment terms.

18 Long-term borrowings (continued)

18.2 Commercial bank loan

During 2016, the Company obtained a loan facility from a local commercial bank. The loan is denominated in Saudi Riyals and bear financial charges based on prevailing market rates which are based on Saudi Inter-Bank Offer Rates ("SIBOR").

As at 31 March 2020, the Company was not in compliance with loan covenants related to maintaining the leverage ratio of not more than 1.8 and debt service cover ratio of not less than 1.5 as per the agreement with commercial bank. The aggregate maturity of the loan outstanding at 31 March 2020, based on its respective repayment schedule, is repayable in 2021. There was no implication on the Company for breach of covenants. The loan is secured by corporate guarantees provided by the shareholders.

Maturity profile of commercial bank loan

	2020	**2019**
Years ending 31 March:		
2020	**-**	37,500,000
2021	**37,500,000**	37,500,000
	37,500,000	75,000,000

19 Short-term borrowings

	31 March 2020	**31 March 2019**
Short term borrowings	**435,041,816**	173,690,007
Accrued financial costs	**1,385,899**	-
Overdraft	**-**	13,433,918
	436,427,715	187,123,925

These represent short-term bank borrowings and overdraft facilities obtained from various local commercial banks and bear financial charges at prevailing market rates which are based on SIBOR. These facilities are secured against corporate guarantees from shareholders of the Company. The carrying value of the short-term borrowings are denominated in Saudi Riyals.

20 Lease liabilities

The Company has entered into certain agreements which entitled the Company to right-of-use asset and obligations relating to parcels of land and building.

	31 March 2020	**1 April 2019**
Future minimum lease payments	**43,932,936**	44,503,936
Less: repayment of minimum lease payments	**(7,795,928)**	-
	36,137,008	44,503,936
Less: future financial costs not yet due	**(4,412,604)**	(5,919,952)
Net present value of minimum lease payment	**31,724,404**	38,583,984
Less: current portion presented under current liabilities	**6,616,727**	6,505,800
Non-current portion of lease liabilities	**25,107,677**	32,078,184

(All amounts in Saudi Riyals unless otherwise stated)

20 Lease liabilities (continued)

Movement in lease liabilities is as follows:

	31 March 2020	1 April 2019
IFRS 16 adjustment:		
Initial recognition of lease liabilities upon adoption of IFRS 16	**38,583,984**	38,583,984
Accretion of financial costs during the year	**1,482,128**	-
Lease terminated during the year	**(545,780)**	-
Payments made during the year	**(7,795,928)**	-
	31,724,404	38,583,984

21 Employee benefit obligations

21.1 General description of the plan

The Company operates a defined benefit plan in line with the labor laws requirement in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the labor laws of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment. An independent actuary carried out latest valuation of employee benefit obligations under the projected unit credit method as at 31 March 2020.

	2020	2019
1 April	**9,217,750**	6,531,530
Current service cost	**1,631,150**	1,169,360
Interest expense	**381,750**	322,380
Payments	**(470,880)**	(167,710)
Remeasurements	**1,273,370**	1,362,190
31 March	**12,033,140**	9,217,750

21.2 Amounts recognised in the statement of profit or loss and other comprehensive income

The amounts recognised in the statement of profit or loss and other comprehensive income related to employee benefit obligations are as follows:

	2020	2019
Current service cost	**1,631,150**	1,169,360
Interest expense	**381,750**	322,380
Total amount recognised in profit or loss	**2,012,900**	1,491,740
Remeasurements		
Loss from change in financial assumptions	**1,123,150**	878,380
Experience losses	**150,220**	483,810
Total amount recognised in other comprehensive income	**1,273,370**	1,362,190

(All amounts in Saudi Riyals unless otherwise stated)

21 Employee benefit obligations (continued)

21.3 Key actuarial assumptions

	2020	**2019**
Discount rate	**3.5%**	4.3%
Salary growth rate	**3.0%**	3.0%

21.4 Sensitivity analysis for actuarial assumptions

	Change in assumption		**Impact on employee benefit obligations**	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	1%	(1,465,310)	1,749,160
Salary growth rate	1%	1%	1,758,120	(1,485,100)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the employee benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

22 Trade and other payables

	Note	**31 March 2020**	**31 March 2019**
Advances from customers	22.1	**38,739,558**	96,653,714
Less: non-current advances from customers		**-**	(38,371,501)
		38,739,558	58,282,213
Trade payables		**108,298,712**	263,419,250
Value added tax payable		**22,960,471**	-
Accrued expenses		**13,920,611**	6,005,991
Salaries and benefits		**7,909,358**	3,719,566
Related parties	24	**-**	5,130,842
Other		**-**	1,370,669
		191,828,710	337,928,531

22.1 Advances from customers

Advances received from customers include an amount of Saudi Riyals 35.5 million received from a customer for the execution of the contract and is adjusted against the billings to the customer over the period of the contract and have been classified under current and non-current portion based on expected future billings in the accompanying financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

23 Zakat and income tax matters

23.1 Components of approximate zakat base attributable to Saudi shareholders

	2020	**2019**
Equity at beginning of year	**13,470,493**	55,723,938
Provisions at beginning of year	**5,406,208**	4,261,833
Adjusted profit (loss) for the year	**138,083,359**	(31,506,013)
Borrowings	**147,025,986**	109,564,116
Lease liabilities	**15,859,030**	-
Property, plant and equipment, as adjusted	**(114,906,407)**	(130,117,930)
Right-of-use assets, as adjusted	**(15,639,392)**	-
Other	**(7,574,239)**	(5,910,842)
Approximate zakat base	**181,725,038**	2,015,102

Zakat is payable at 2.578% of the zakat base, excluding adjusted profit (loss) for the year, attributable to the Saudi shareholder. Zakat on adjusted profit for the year is payable at 2.5%.

23.2 Income tax expense

	2020	**2019**
Current tax	**21,364,745**	-
Deferred tax charge (credit)	**3,674,401**	(2,935,625)
	25,039,146	(2,935,625)

23.3 Zakat and income tax payable (refundable)

	Zakat	**Income tax**	**Total**
At 1 April 2019	50,378	(3,218,604)	**(3,168,226)**
Provisions for the year	4,577,027	21,364,745	**25,941,772**
Advance tax paid during the year	-	(159,834)	**(159,834)**
At 31 March 2020	4,627,405	17,986,307	**22,613,712**
At 1 April 2018	1,194,901	(4,246,298)	(3,051,397)
Provisions for the year	50,378	-	50,378
Adjustments related to prior periods	(167,207)	-	(167,207)
Advance tax adjustment	(1,027,694)	1,027,694	-
At 31 March 2019	50,378	(3,218,604)	(3,168,226)

(All amounts in Saudi Riyals unless otherwise stated)

23 Zakat and income tax matters (continued)

23.4 Numerical reconciliation of income tax expense to prima facie tax payable

	2020	**2019**
Profit (loss) before zakat and income tax	**266,549,992**	(72,352,351)
Income tax rate applicable to the Company	**20%**	20%
ffective shareholding subject to income tax	**50.01%**	50.01%
Income tax on effective shareholding	**26,660,330**	(7,236,682)
Reconciliation:		
Add: tax effect of deferred tax not recorded in prior year	**-**	681,383
Add: tax effect of permanent differences	**(1,621,184)**	3,619,674
	25,039,146	(2,935,625)

23.5 Temporary and permanent differences

	2020	**2019**
Profit (loss) before zakat and income tax	**266,549,992**	(72,352,351)
Temporary differences:		
- Depreciation	**-**	6,418,854
- Employee termination benefits	**2,012,900**	2,973,012
- ECL allowance	**3,927,679**	-
- Provision for inventory obsolescence	**3,731,391**	-
Permanent difference -		
- Other	**-**	(64,145)
Adjusted net income (loss) for the year for zakat purpose	**276,221,962**	(63,024,630)

23.6 Status of certificates and final assessments

The Company has obtained final assessments from GAZT for the years through 2010. The assessments for the years from 2011 through 2019 are currently under review by GAZT. The Company has obtained zakat and income tax certificates for the years through 2019.

23.7 Deferred tax liability (assets)

The balance comprises temporary differences attributable to:

	31 March 2020	**31 March 2019**
Carry forward losses	**(58,167,969)**	(92,341,408)
Employee benefit obligations	**(6,017,775)**	(4,609,797)
Provision for inventory obsolescence	**(2,900,129)**	(1,034,061)
Property, plant and equipment	**69,591,599**	83,307,135
Other	**1,188,155**	-
Taxable (deductible) temporary differences – net	**3,693,881**	(14,678,131)

(All amounts in Saudi Riyals unless otherwise stated)

23 Zakat and income tax matters (continued)

23.8 Deferred tax (liability) assets movement

Movement in deferred taxes is attributable to:

	Carry forward losses	Employee benefit obligations	Provision for inventory obsolescence	Property, plant and equipment	Other	Total
1 April 2019	18,468,282	921,959	206,812	(16,661,428)	-	**2,935,625**
Credited / (charged) to:						
Statement of profit or loss and other comprehensive income	(6,834,688)	281,596	373,214	2,743,108	(237,631)	**(3,674,401)**
31 March 2020	11,633,594	1,203,555	580,026	(13,918,320)	(237,631)	**(738,776)**

	Carry forward losses	Employee benefit obligations	Provision for inventory obsolescence	Property, plant and equipment	Total
1 April 2018	-	-	-	-	-
Credited / (charged) to:					
Statement of profit or loss and other comprehensive income	18,468,282	921,959	206,812	(16,661,428)	2,935,625
31 March 2019	18,468,282	921,959	206,812	(16,661,428)	2,935,625

24 Related party transactions and balances

Related parties comprise the shareholders, directors, associated companies and key management personnel. Related parties also include business entities in which shareholders have an interest ("other related parties").

The shareholders' agreement requires qualified majority voting for all key decisions. Accordingly, the Company is jointly-controlled by the major shareholders i.e. Welspun Mauritius Holdings Company Ltd. (50.01%), Aziz Company for Contracting & Industrial Investment (28.5%) and Vision International Investment Co (16.5%). Welspun Mauritius Holdings Company Ltd. is ultimately controlled by Welspun Corp Limited.

All related transactions were made on normal commercial terms and conditions and at market rates.

(All amounts in Saudi Riyals unless otherwise stated)

24 Related party transactions and balances (continued)

(a) Following are the significant transactions entered into by the Company:

Nature of transactions and relationship	**2020**	**2019**
Sales to an associated company	**2,918,956**	4,415,557
Cost charged by the shareholders	**3,412,978**	114,429
Cost charged to associated companies	**1,434,581**	2,075,076
Cost charged by other related parties	**-**	1,785,753
Cost charged to a shareholder	**-**	5,239
Financial charges charged by the shareholders	**5,574,055**	5,558,826
Purchases and other related services from a shareholder	**3,264,329**	3,267,283
Purchases and other related services from the associated companies	**20,433,477**	14,570,516

(b) Key management personnel compensation:

	2020	**2019**
Salaries and other short-term employee benefits	**3,193,250**	772,931
Post-employment benefits	**162,577**	29,709
	3,355,827	802,640

(c) Loans from shareholders

	31 March 2020	**31 March 2019**
Welspun Mauritius Holdings Company Ltd.	**52,816,198**	52,816,198
Aziz Company for Contracting & Industrial Investment	**35,289,022**	-
Vision International Investment Co.	**17,777,176**	-
Aziz European Pipe Factory	**-**	53,066,198
	105,882,396	105,882,396

These represent funding obtained from shareholders which carry financial charges at prevailing market rates. These loans are due for repayment in 2022. During the year, Aziz European Pipe Factory transferred such loan to the new shareholders of the Company.

(d) Outstanding balances arising from sales / purchases of goods and services

(i) Due from related parties

	31 March 2020	**31 March 2019**
WMEPC	**89,825,250**	27,492,305
Welspun Corp Limited	**3,370**	-
	89,828,620	27,492,305

(All amounts in Saudi Riyals unless otherwise stated)

24 Related party transactions and balances (continued)

(ii) Due to related parties

	31 March 2020	31 March 2019
Aziz Company for Contracting & Industrial Investment	-	3,174,077
Welspun Corp Limited	-	1,195,472
Vision International Investment Company	-	654,742
Mohawareen Industrial Services, a shareholder	-	106,551
	-	5,130,842

25 Financial risk management

25.1 Financial risk factors

The Company's activities expose it to a variety of financial risks including the effects of changes in market risk (including currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by the senior management.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Senior management has overall responsibility for the establishment and oversight of the Company's risk management framework and is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

25 Financial risk management (continued)

25.1 Financial risk factors (continued)

(a) Market risk

(i) Currency risk

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 primarily in Saudi Riyals and United States dollars. Since Saudi Riyal is pegged to United States dollars, management of the Company believes that the currency risk for the financial instruments is not significant.

(ii) Fair value and cash flow interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company borrows at interest rates on commercial terms.

Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. During 2020 and 2019, the Company's borrowings were denominated in Saudi Riyals.

The long-term borrowings from commercial banks carry variable rates of interest. The Company analyses its interest rate exposure on a regular basis and reassesses the source of borrowings and renegotiates interest rates at terms favourable to the Company. At 31 March 2020, if the interest rate were to shift by 1%, there would be a maximum increase or decrease in the financial costs by Saudi Riyals 0.38 million (2019: Saudi Riyals 0.75 million).

The loans from shareholders carry variable rates of interest. The Company analyses its interest rate exposure on a regular basis and reassesses the source of borrowings and renegotiates interest rates at terms favourable to the Company. At 31 March 2020, if the interest rate were to shift by 1%, there would be a maximum increase or decrease in the financial costs by Saudi Riyals 1.1 million (2019: Saudi Riyals 1.1 million).

The short-term borrowing interest rates with banks are subject to change upon re-negotiation of the facilities which takes place on at frequent intervals. At 31 March 2020, if the interest rate were to shift by 1%, there would be a maximum increase or decrease in the interest expense by Saudi Riyals 3.0 million (2019: Saudi Riyals 1.8 million).

(iii) Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company's financial assets and liabilities are not exposed to price risk.

(b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk in respect of:

- Payment of trade receivables; and
- Contractual cash flows related to other financial assets carried at amortised costs.

25 Financial risk management (continued)

25.1 Financial risk factors (continued)

(b) Credit risk (continued)

Trade receivables:

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. At 31 March 2020, 97% of trade receivable balance was due from a single customer (2019: 92% of trade receivables were due from a customer). Management believes that this concentration of credit risk is mitigated as such receivable is from a quasi-government customer having an established track record of timely payments.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivable. The Company has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of receivables.

The Company establishes ECL allowance that represents its estimate of potential losses in respect of trade and other receivables. The main components of this loss are a specific loss component that relates to individual exposures and a collective loss component established for similar assets in respect of any potential losses that may have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry in which customers operate, has less of an influence on credit risk.

Credit risk on related parties is considered minimal as management monitors and reconciles amounts due from related parties on a regular basis and recoverability is not considered to be doubtful. Management does not expect any losses from non-performance by such related parties. At 31 March 2020, the ECL allowance on related party receivables was immaterial.

Other financial assets carried at amortised costs:

Other financial assets at amortised cost include other receivables. The instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Management consider 'low credit risk' for other receivables. At 31 March 2020, the ECL allowance on other financial assets was immaterial.

Cash at bank:

For banks, parties generally with a minimum rating of P-1 are accepted. The stated rating is as per the global bank ratings by Moody's Investors Service. Management does not expect any losses from non-performance by these counterparties.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

(All amounts in Saudi Riyals unless otherwise stated)

25 Financial risk management (continued)

25.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Company has access to credit facilities.

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal ratio targets.

The table below analyses the Company's financial liabilities into the relevant maturity grouping based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	Less than one year	1 to 2 years	2 to 5 years	Over 5 years	Total
2020					
Bank borrowings	523,062,017	-	-	-	523,062,017
Lease liabilities	8,670,927	6,920,928	14,400,464	6,144,689	36,137,008
Long-term loans from shareholders	5,574,055	105,882,396	-	-	111,456,451
Trade and other payables	130,128,681	-	-	-	130,128,681
	667,435,680	112,803,324	14,400,464	6,144,689	800,784,157

	Less than one year	1 to 2 years	Total
2019			
Bank borrowings	227,694,800	38,328,875	266,023,675
Long-term loans from shareholders	5,574,055	110,060,400	115,634,455
Trade and other payables	279,646,318	-	279,646,318
	512,915,173	148,389,275	661,304,448

(All amounts in Saudi Riyals unless otherwise stated)

25 Financial risk management (continued)

25.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the statement of financial position, less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratios at 31 March were as follows:

	2020	**2019**
Total borrowings including lease liabilities	**642,846,616**	402,109,348
Less: cash and cash equivalents	**(69,124,120)**	(16,237,420)
Net debt	**573,722,496**	385,871,928
Total equity	**276,562,375**	40,901,926
Total capital	**850,284,871**	426,773,854
Gearing ratio	**67%**	90%

25.3 Net debt reconciliation

The net debt of the Company is as follows:

	2020	**2019**
Cash and cash equivalents	**69,124,120**	16,237,420
Long-term loans from shareholders	**(105,882,396)**	(105,882,396)
Short term borrowings	**(435,041,816)**	(187,123,925)
Lease liabilities	**(31,724,404)**	-
Long-term borrowings	**(70,198,000)**	(107,698,000)
Net debt	**(573,722,496)**	(384,466,901)

(All amounts in Saudi Riyals unless otherwise stated)

25 Financial risk management (continued)

25.3 Net debt reconciliation (continued)

The Company's net debt reconciliation is as follows:

	1 April 2019	Recognised on adoption of IFRS 16	Cash flows	Transfers	Other	31 March 2020
Cash and cash equivalents	16,237,420	-	52,886,700	-	-	**69,124,120**
Long-term loans from shareholders	(105,882,396)	-	-	-	-	**(105,882,396)**
Short-term borrowings	(187,123,925)	-	(247,917,891)	-	-	**(435,041,816)**
Lease liabilities	-	(38,583,984)	6,313,800	-	545,780	**(31,724,404)**
Bank borrowings	(107,698,000)	-	37,500,000	-	-	**(70,198,000)**
Net debt	(384,466,901)	(38,583,984)	(151,217,391)	-	545,780	**(573,722,496)**

	1 April 2018	Cash flows	Transfers	Other	31 March 2019
Cash and cash equivalents	59,192,202	(42,954,782)	-	-	16,237,420
Long-term loans from shareholders	(105,882,396)	-	-	-	(105,882,396)
Short-term borrowings	-	(187,123,925)	-	-	(187,123,925)
Long-term borrowings	(126,448,000)	18,750,000	-	-	(107,698,000)
Net debt	(173,138,194)	(211,328,707)	-	-	(384,466,901)

(All amounts in Saudi Riyals unless otherwise stated)

26 Categories of financial instruments

The following are the measurement categories for the financial instruments held by the Company:

	Financial assets carried at amortised cost	
31 March	**2020**	**2019**
Assets as per statement of financial position		
Trade and other receivables	**634,660,091**	292,093,404
Cash and cash equivalents	**69,124,120**	16,237,420
Total	**703,784,211**	308,330,824

	Financial liabilities carried at amortised cost	
31 March	**2020**	**2019**
Liabilities as per statement of financial position		
Bank borrowings	**507,166,840**	296,226,952
Long-term loans from shareholders	**105,882,396**	105,882,396
Lease liabilities	**31,724,404**	-
Trade and other payables	**130,128,681**	279,646,318
Total	**774,902,321**	681,755,666

For the purpose of the financial instruments disclosure, non-financial assets and non-financial liabilities amounting to Saudi Riyals 7.8 million and Saudi Riyals 60.0 million respectively (2019: Saudi Riyals 64.0 million and Saudi Riyals 61.7 million respectively) have been excluded from trade and other receivables and trade and other payables, respectively.

27 Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The Company has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements. Management regularly reviews significant unobservable inputs and valuation adjustments.

As at 31 March 2020 and 2019, the fair values of the Company's financial instruments are estimated to approximate their carrying values since the financial instruments which do not bear interest are short term in nature and are expected to be realized at their current carrying values within twelve months from the date of statement of financial position, while the financial instruments which bear interest are at variable interest rates, adjusted in line with prevailing market rates.

(All amounts in Saudi Riyals unless otherwise stated)

28 Basic and diluted earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the profit (loss) for the year by the weighted average number of ordinary shares in issue during the year. As the Company does not have any dilutive potential shares, the diluted earnings (loss) per share is the same as the basic earnings (loss) per share.

	For the year ended 31 March	
	2020	**2019**
Profit (loss) for the year	**236,933,819**	(69,299,897)
Weighted average number of ordinary shares for basic and diluted earnings (loss) per share	**76,046,875**	76,046,875
Earnings (loss) per share	**3.12**	(0.91)

29 Contingencies and commitments

As at 31 March 2020, the Company was contingently liable for letters of credits and guarantees in the normal course of business amounting to Saudi Riyals 517.4 million (2019: Saudi Riyals 876.0 million).

30 Events after the reporting date

Subsequent to the reporting date, the shareholders of the Company and WMEPC entered into a binding agreement to merge the operations (see Note 1). No other events have arisen subsequent to 31 March 2020 and before the date of signing the independent auditor's audit report, that could have a significant effect on the financial statements as at 31 March 2020.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(FORMERLY 'WELSPUN MIDDLE EAST PIPES COMPANY')
(A CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021
AND INDEPENDENT AUDITOR'S REPORT

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

Independent auditor's report to the shareholders of East Pipes Integrated Company for Industry

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of East Pipes Integrated Company for Industry (formerly known as 'Welspun Middle East Pipes Company') (the "Company") as at 31 March 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

What we have audited

The Company's financial statements comprise:

- the statement of profit or loss and other comprehensive income for the year ended 31 March 2021;
- the statement of financial position as at 31 March 2021;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-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.

Those charged with governance, i.e. Board of Directors, are responsible for overseeing the Company's financial reporting process.

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Independent auditor's report to the shareholders of East Pipes Integrated Company for Industry (continued)

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 International Standards on Auditing, that are 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, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers

Ali H. Al Basri
License Number 409

24 June 2021

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A Closed Joint Stock Company)
Statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 March 2021	2020
Revenue	4	**935,506,334**	1,668,863,844
Cost of revenue	5	**(705,309,370)**	(1,332,511,587)
Gross profit		**230,196,964**	336,352,257
General and administrative expenses	6	**(12,857,302)**	(12,705,941)
Selling and marketing expenses	7	**(5,546,803)**	(7,657,200)
Expected credit loss allowance	14	**(2,498,273)**	(3,927,679)
Other operating (expenses) income - net	8	**(1,615,788)**	2,599,042
Operating profit		**207,678,798**	314,660,479
Financial costs	9	**(32,011,022)**	(48,110,487)
Profit before zakat and income tax		**175,667,776**	266,549,992
Zakat expense	23	**(5,596,192)**	(4,577,027)
Income tax expense	23	**(21,805,561)**	(25,039,146)
Profit for the year		**148,266,023**	236,933,819
Other comprehensive income			
Item that will not be reclassified to profit or loss			
Remeasurements of employee benefit obligations	21	**(509,422)**	(1,273,370)
Total comprehensive income for the year		**147,756,601**	235,660,449
Earnings per share:			
Basic and diluted	28	**14.63**	31.16

The accompanying notes are an integral part of these financial statements.

Ali Al Khateeb
Chief Financial Officer

Idhah Zahrani
General Manager – Marketing & Sales

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A Closed Joint Stock Company)
Statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 March 2021	2020
Assets			
Non-current assets			
Property, plant and equipment	10	**277,380,520**	229,732,636
Right-of-use assets	11	**26,828,566**	31,285,041
Intangible assets	12	**17,563**	126,149
Total non-current assets		**304,226,649**	261,143,826
Current assets			
Inventories	13	**114,495,319**	175,783,794
Trade and other receivables	14	**357,810,654**	642,498,613
Cash and cash equivalents	15	**42,316,443**	69,124,120
Total current assets		**514,622,416**	887,406,527
Total assets		**818,849,065**	1,148,550,353
Equity and liabilities			
Equity			
Share capital	16	**210,000,000**	76,046,875
Statutory reserve	17	**35,005,488**	20,178,886
Retained earnings		**272,611,582**	180,336,614
Total equity		**517,617,070**	276,562,375
Liabilities			
Non-current liabilities			
Long-term loans from shareholders	24	**-**	105,882,396
Lease liabilities	20	**21,706,377**	25,107,677
Deferred tax liability	23	**8,003,312**	738,776
Employee benefit obligations	21	**16,630,028**	12,033,140
Total non-current liabilities		**46,339,717**	143,761,989
Current liabilities			
Trade and other payables	22	**109,569,256**	191,828,710
Current portion of long-term borrowings	18	**-**	70,739,125
Current portion of long-term loans from shareholders	24	**3,164,468**	-
Current portion of lease liabilities	20	**5,932,328**	6,616,727
Short-term borrowings	19	**130,408,779**	436,427,715
Zakat and income tax payable	23	**5,817,447**	22,613,712
Total current liabilities		**254,892,278**	728,225,989
Total liabilities		**301,231,995**	871,987,978
Total equity and liabilities		**818,849,065**	1,148,550,353

These financial statements including accompanying notes were authorized for issue by the Company's Board of Directors on 27 May 2021 and signed on their behalf by:

Ali Al Khateeb
Chief Financial Officer

Idhah Zahrani
General Manager – Marketing & Sales

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A Closed Joint Stock Company)
Statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Welspun Mauritius Holdings Company Ltd.	Mohawareen Industrial Services	Aziz European Pipe Factory	Vision International Investment Company	Aziz Company for Contracting & Industrial Investment	Total
Share capital							
1 April 2019		38,031,042	3,794,739	34,221,094	-	-	76,046,875
Change in shareholders	16	-	-	(34,221,094)	12,547,734	21,673,360	-
31 March 2020		38,031,042	3,794,739	-	12,547,734	21,673,360	76,046,875
Transfer from retained earnings	16	3	-	-	1	1	**5**
Transfer from loans from shareholders	16	66,989,955	6,684,261	-	22,102,265	38,176,639	**133,953,120**
31 March 2021		**105,021,000**	**10,479,000**	-	**34,650,000**	**59,850,000**	**210,000,000**
Statutory reserve							
1 April 2019		-	-	-	-	-	-
Transfer from retained earnings		10,091,461	1,006,926	-	3,329,516	5,750,983	20,178,886
31 March 2020		10,091,461	1,006,926	-	3,329,516	5,750,983	20,178,886
Transfer from retained earnings	17	7,414,784	739,847	-	2,446,389	4,225,582	**14,826,602**
31 March 2021		**17,506,245**	**1,746,773**	**-**	**5,775,905**	**9,976,565**	**35,005,488**
Retained earnings (accumulated deficit)							
1 April 2019		(10,599,609)	(2,587,620)	(21,957,720)	-	-	(35,144,949)
Profit before zakat and income tax for the period from 1 April 2019 to 31 October 2019		49,436,395	4,932,766	44,483,858	-	-	98,853,019
Zakat and income tax expense for the period from 1 April 2019 to 31 October 2019	23	(9,887,279)	(139,274)	(1,255,975)	-	-	(11,282,528)
Other comprehensive income for the period from 1 April 2019 to 31 October 2019	21	-	-	-	-	-	-
31 October 2020		28,949,507	2,205,872	21,270,163	-	-	52,425,542

(continued)

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A Closed Joint Stock Company)
Statement of changes in equity (continued)
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Welspun Mauritius Holdings Company Ltd.	Mohawareen Industrial Services	Aziz European Pipe Factory	Vision International Investment Company	Aziz Company for Contracting & Industrial Investment	Total
Retained earnings (accumulated deficit) (continued)							
Change in shareholders	16	-	-	(21,270,163)	7,799,060	13,471,103	-
Profit before zakat and income tax for the period from 1 November 2019 to 31 March 2020		83,865,256	8,368,079	-	27,670,001	47,793,637	167,696,973
Other comprehensive loss for the period from 1 November 2019 to 31 March 2020	21	(636,812)	(63,541)	-	(210,107)	(362,910)	(1,273,370)
Zakat and income tax expense for the period from 1 November 2019 to 31 March 2020	23	(15,151,867)	(317,605)	-	(1,050,197)	(1,813,976)	(18,333,645)
Transfer to statutory reserve	17	(10,091,461)	(1,006,926)	-	(3,329,516)	(5,750,983)	(20,178,886)
31 March 2020		86,934,623	9,185,879	-	30,879,241	53,336,871	180,336,614
Profit before zakat and income tax		87,851,455	8,765,822	-	28,985,183	50,065,316	**175,667,776**
Other comprehensive loss for the year	21	(254,762)	(25,420)	-	(84,055)	(145,185)	**(509,422)**
Zakat and income tax expense	23	(21,805,561)	(558,612)	-	(1,847,113)	(3,190,467)	**(27,401,753)**
Merger adjustment	1	(21,126,195)	(1,949,399)	-	(6,515,627)	(11,063,805)	**(40,655,026)**
Transfer from retained earnings	16	(3)	-	-	(1)	(1)	**(5)**
Transfer from statutory reserve	17	(7,414,784)	(739,847)	-	(2,446,389)	(4,225,582)	**(14,826,602)**
31 March 2021		**124,184,773**	**14,678,423**	**-**	**48,971,239**	**84,777,147**	**272,611,582**
Total equity							
31 March 2021		**246,712,018**	**26,904,196**	**-**	**89,397,144**	**154,603,712**	**517,617,070**
31 March 2020		135,057,126	13,987,544	-	46,756,491	80,761,214	276,562,375

The accompanying notes are an integral part of these financial statements.

Ali Al Khateeb
Chief Financial Officer

Idhah Zahrani
General Manager – Marketing & Sales

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 March 2021	2020
Cash flows from operating activities			
Profit before zakat and income tax		**175,667,776**	266,549,992
Adjustments for:			
Depreciation	10, 11	**38,518,539**	33,593,894
Amortization	12	**114,591**	215,651
Gain from sale of property and equipment		**-**	(36,451)
Gain on early termination of lease liabilities		**-**	(116,619)
Provision for inventory obsolescence	13	**648,785**	3,731,391
Expected credit loss allowance	14	**2,498,273**	3,927,679
Financial costs	9	**32,011,022**	48,110,487
Provision for employee benefit obligations	21	**1,459,983**	1,631,150
Changes in operating assets and liabilities:			
Decrease in inventories		**74,570,486**	16,665,774
Decrease (increase) in trade and other receivables		**306,303,155**	(290,288,525)
Decrease in trade and other payables		**(204,450,428)**	(184,827,371)
Cash generated from (used in) operations		**427,342,182**	(100,842,948)
Financial costs paid		**(27,070,312)**	(46,850,691)
Employee benefit obligations paid	21	**(1,344,271)**	(470,880)
Zakat and income tax paid	23	**(41,540,216)**	(159,834)
Net cash inflow (outflow) from operating activities		**357,387,383**	(148,324,353)
Cash flows from investing activities			
Payments for purchases of property, plant and equipment	10	**(1,453,303)**	(2,919,489)
Payments for purchases of intangible assets	12	**(6,005)**	(10,000)
Proceeds from sale of property and equipment		**-**	36,451
Net cash outflow from investing activities		**(1,459,308)**	(2,893,038)
Cash flows from financing activities			
Changes in short-term borrowings		**(305,840,944)**	247,917,891
Repayments of long-term borrowings		**(70,198,000)**	(37,500,000)
Proceeds from loans from shareholders	24	**7,365,578**	-
Repayments of loans from shareholders	24	**(7,365,578)**	-
Repayments of lease liabilities		**(6,723,522)**	(6,313,800)
Net cash (outflow) inflow from financing activities		**(382,762,466)**	204,104,091
Net change in cash and cash equivalents		**(26,834,391)**	52,886,700
Cash transferred	1	**26,714**	-
Cash and cash equivalents at beginning of year		**69,124,120**	16,237,420
Cash and cash equivalents at end of year	15	**42,316,443**	69,124,120
Non-cash investing and financing activities:			
Transfer-in of net liabilities, net of cash	1	**(40,628,312)**	-
Increase in share capital against retained earnings	16	**5**	-
Increase in share capital against loans from shareholders	16.1	**133,953,120**	-
Right-of-use assets recorded against lease liabilities		**-**	38,583,984

The accompanying notes are an integral part of these financial statements.

Ali Al Khateeb
Chief Financial Officer

Idhah Zahrani
General Manager – Marketing & Sales

(All amounts in Saudi Riyals unless otherwise stated)

1 General information

East Pipes Integrated Company for Industry (formerly known as "Welspun Middle East Pipes Company") (the "Company") is engaged in manufacturing and sale of spiral steel pipes.

The Company was a limited liability company licensed under foreign investment license number 121031118992 issued by the Ministry of Investment on 22 Rajab 1431H (4 July 2010) operating under Commercial Registration ("CR") number 2050071522 issued in Dammam on 22 Rajab 1431H (4 July 2010). The Company changed its legal name from "Welspun Middle East Pipes Company" to "East Pipes Integrated Company for Industry". The legal formalities relating to such change of name were completed in January 2021 and the Company received its updated CR on 24 January 2021. The registered address of the Company is P.O. Box 12943, Dammam 31483, Kingdom of Saudi Arabia.

During 2019, the Board of Directors ("BoD") of the Company recommended to initiate legal formalities to file for the Company's Initial Public Offering ("IPO") with the relevant regulatory authorities in the Kingdom of Saudi Arabia. As of 31 March 2020, the IPO was subject to various approvals including approval from the shareholders of the Company.

Further, as part of its IPO plan, during 2019, the BoD of the Company also recommended to merge the Company with Welspun Middle East Pipes Coating Company ("WMEPC"), a limited liability company registered in the Kingdom of Saudi Arabia owned by the Company's shareholders in the same shareholding proportion ("common control"). Based on the BoD recommendation, the Company's shareholders signed an agreement on 14 May 2020 ("Merger Agreement"), whereby it was agreed to merge WMEPC's operations and all its assets, rights, liabilities and obligations with those of the Company at no purchase consideration. The merger was approved by the Ministry of Commerce on 21 July 2020 ("Effective date"). Subsequent to the Effective date, WMEPC was registered as a branch of the Company.

Since its a business combination between entities under common control, management has elected to apply predecessor accounting as its accounting policy. Under the terms of the Merger Agreement, the Company used the book values of WMEPC as of the Effective date for the purposes of applying predecessor accounting policy. The following is the break down of the net liabilities transferred to the Company at closing net book values as of 20 July 2020:

Assets	
Cash and cash equivalents	**26,714**
Trade and other receivables	**24,113,469**
Inventories	**13,930,796**
Property, plant and equipment	**77,788,091**
Right-of-use assets	**2,468,554**
Total assets	**118,327,624**
Liabilities	
Long-term loans from shareholders	**(30,187,523)**
Trade and other payables	**(122,190,974)**
Employee benefit obligations	**(3,475,970)**
Zakat and income tax payable	**(490,358)**
Lease liabilities	**(2,637,825)**
Total liabilities	**(158,982,650)**
Net liabilities transferred to retained earnings	**(40,655,026)**

On 10 September 2020, the BoD of the Company recommended to convert the Company from a limited liability company to a closed joint stock company. Based on the BoD recommendation, on 21 September 2020 the Company's shareholders resolved to convert the Company into a closed joint stock company. The legal formalities relating to such conversion were completed in September 2020 and the Company received the updated CR on 22 September 2020. Also see Note 16.

1 General information (continued)

The accompanying financial statements includes the operations of the Company and its branch operating under CR number 2050071524 issued in Dammam on 22 Rajab 1431H (4 July 2010).

In response to the spread of the COVID-19 pandemic in the Gulf Cooperation Council and other territories where the Company operates and its consequential disruption to the social and economic activities in those markets, the Company's management has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures, including activation of the crisis management team and associated processes to:

- ensure the health and safety of its employees; and
- minimizing the impact of the pandemic on its operations and product supply to the market.

Notwithstanding these challenges, the Company was successful in maintaining stable operations while maneuvering limited demand interruptions to maintain product flow to the market. The Company's management believes that the COVID-19 pandemic, by itself, has had limited direct material effects on Company's reported results for the year ended 31 March 2021. The Company's management continues to monitor the situation closely.

2 Summary of significant accounting policies

The principal accounting policies applied for the preparation of financial statements of the Company are set out below. The accounting policies have been consistently applied to all the years presented.

2.1 Basis of preparation

2.1.1 Statement of compliance

These financial statements of the Company have been prepared in compliance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia ("IFRS"), and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

2.1.2 Historical cost convention

These financial statements are prepared under the historical cost convention except where IFRS requires other measurement basis as disclosed in the relevant accounting policies.

2.1.3 New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time:

- Definition of Material - amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- Definition of a Business - amendments to IFRS 3 'Business Combinations';
- Interest Rate Benchmark Reform - amendments to IFRS 9 'Financial instruments', IAS 39 'Financial instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures'; and
- Revised Conceptual Framework for Financial Reporting.

No material impact was identified upon adoption of the new and amended standards.

2 Summary of significant accounting policies (continued)

2.1.4 Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for year ended 31 March 2021 and have not been early adopted by the Company. These standards are not expected to have a material impact in the current or future reporting periods and on foreseeable future transactions.

2.2 Revenue

The Company recognizes revenue based on a five-step model as set out in IFRS 15.

IFRS 15 requires that revenue is recognized from contracts with customers based on a five-step model as follows:

- Identification of contracts with customer;
- Identification of performance obligations in the contract;
- Determination of transaction price;
- Allocation of transaction price to performance obligations in the contract; and
- Recognition of revenue when the Company satisfies the performance obligation.

Revenue from sale of goods

Revenue is measured at the fair value of the consideration received or receivable net of returns and allowances, if any, for the sale of goods in the ordinary course of the Company's activities. The Company recognizes revenue when control of the goods has transferred, being when the products are delivered to the customer, the customer has full discretion over the use or sale of such goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been acknowledged by the customer through third party inspection documents and material release notes, the risks of obsolescence and loss have been transferred to the customer, the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered or acknowledged by the customer as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. In determining the transaction price for the sale of goods, the Company considers the effects the existence of significant financing components. The Company receives long-term advances from customers for the sale of goods. The transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Company and its customers at contract inception, to take into consideration the significant financing component.

Revenue from coating services

Revenue is measured at the fair value of the consideration received or receivable net of returns and allowances, if any, for the rendering of the services in the ordinary course of the Company's activities.

The Company provides coating services on pipes provided by the customers. Revenue from coating services is recorded over time using the output method as the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The customer receives and consumes the benefit over the services period and the Company has an enforceable right to invoice upon third party inspection. The services are billed to the customer upon acknowledgment by the customer through third party inspection.

The Company does not have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

2 Summary of significant accounting policies (continued)

2.3 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in "Saudi Riyals", which is the Company's presentation as well as functional currency.

(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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

2.4 Zakat and taxes

In accordance with the regulations of the Zakat, Tax and Customs Authority, the Company is subject to zakat attributable to Saudi shareholding and to income tax attributable to the foreign shareholding in the Company. Provisions for zakat and income tax are charged to profit or loss for the year. Additional amounts, if any, are accounted for when determined to be required for payment. Further, the amounts for zakat and income tax expense for the year are presented in the statement of changes in equity in accordance with the guidance issued by SOCPA for companies with mixed ownership in line with the terms of the agreement between the shareholders of the Company.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred income tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the year and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Company withholds tax on certain transactions with non-resident parties in the Kingdom of Saudi Arabia, including dividends payment to the foreign shareholder, as required under the Saudi Arabian Income Tax Law.

2 Summary of significant accounting policies (continued)

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is calculated on property, plant and equipment so as to allocate its cost, less estimated residual value, on a straight-line basis over the estimated useful lives of the assets. The depreciation expense is recognised in profit or loss in the expense category consistent with the function of the property, plant and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each year. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. Major spare parts qualify for recognition as property, plant and equipment when the Company expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use

Assets in the course of construction or development are capitalised in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of capital work-in-progress intended by management. Capital work-in-progress is not depreciated.

2.6 Leases

At the inception of the contract the Company assesses whether a contract is or contains a lease. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease liabilities

The lease liability is initially measured at the net present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2 Summary of significant accounting policies (continued)

2.6 Leases (continued)

Lease liabilities *(continued)*

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the individual lessee, which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security.

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

2 Summary of significant accounting policies (continued)

2.6 Leases (continued)

Right-of-use assets *(continued)*

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 "Provisions, contingent liabilities and contingent assets". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the Right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 "Impairment of Assets" to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the year in which the event or condition that triggers those payments occurs and are included in the profit or loss.

2.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be finite.

Intangible assets are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and carrying amount of the asset and are recognized in the profit or loss when the asset is derecognised.

2.8 Financial instruments

2.8.1 Financial assets

(a) Classification

The Company classifies its financial assets as measured at amortised cost. See Note 25 for details of each type of financial asset. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

2 Summary of significant accounting policies (continued)

2.8 Financial instruments (continued)

2.8.1 Financial assets (continued)

(b) Recognition and derecognition

At initial recognition, the Company measure financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset. Transactions cost of financial assets carried at fair value through profit or loss are expensed in profit or loss.

The Company derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

(c) Measurement

Subsequent measurement of financial assets depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. The Company classifies its financial assets as measured at amortised cost. Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest are measure at amortised cost. A gain or loss on a financial instrument that is subsequently measured at amortized cost and is not part of the hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is calculated using the effective interest rate method.

Currently, the Company does not hold any equity instruments, therefore the related accounting policies are not presented.

2.8.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss.

2.8.3 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and net amounts are 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 assets and liabilities simultaneously.

2.9 Impairment of financial assets

The Company assesses on a forward looking basis the Expected Credit Loss ("ECL") associated with its financial assets carried at amortized cost. Refer Note 26, which details how the Company determines whether there has been a change in credit risk.

For trade receivables and other financial assets, the Company applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables. The amount of the loss is charged to profit or loss.

2 Summary of significant accounting policies (continued)

2.9 Impairment of financial assets (continued)

The loss rates are based on probability of default based on historical trends relating to collections of Company's trade receivables. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables and contract assets are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant decrease in credit worthiness of the customer, the failure of the customer to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 720 days past due.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in profit or loss.

2.10 Impairment of non-financial assets excluding inventories

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash-Generating Unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

2.11 Inventories

Raw materials, spare parts and supplies, work-in-progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Allowance for inventory obsolescence is made considering various factors including age of the inventory items, historic usage and expected utilization in future.

2.12 Trade receivables

Trade receivables are amounts due from customers for products sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less allowance for ECL.

2 Summary of significant accounting policies (continued)

2.13 Cash and cash equivalents

For the purpose of statement of financial position and presentation in the statement of cash flows, cash and cash equivalents include cash in hand, cash at banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Share capital

Ordinary shares are classified as equity.

2.15 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.16 Borrowings

Borrowings are initially recognised at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, long-term borrowings are measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as “other operating (expense) income - net” or “financial costs”.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the year end.

2.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the year in which they are incurred in profit or loss.

2 Summary of significant accounting policies (continued)

2.18 Employee benefit obligations

The Company operates a single employment benefit scheme of defined benefit plan driven by the Labor Law of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plan is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income and transferred to retained earnings in the statement of changes in equity in the year in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the Labor Law of the Kingdom of Saudi Arabia.

2.19 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components and which are reviewed regularly by the Company's Chief Operating Decision Maker (the "CODM").

The BoD of the Company assesses the financial performance and position of the Company, and makes strategic decisions. The BoD has been identified as being the CODM.

The financial statements are prepared on the basis of a single reporting segment consistent with the information reviewed by the CODM of the Company.

The business activities of the Company are concentrated in the Kingdom of Saudi Arabia. All operating assets of the Company are located in the Kingdom of Saudi Arabia.

2.20 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates and judgments 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 revenue and expenses during the year. 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 judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. However, as explained in Note 1, Management, through the crisis management team, has proactively assessed the potential of the COVID-19 pandemic for any further regulatory and government restrictions both locally and in the market in which the Company operates that could adversely affect our supply chain and our production capabilities, demand of our products, as well as our sales distribution network that could cause a negative impact on our financial performance. Management has concluded that our critical accounting judgements, estimates and assumptions remain appropriate under the current circumstances.

The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months are discussed below:

Useful lives of property, plant and equipment

The Company's management determines the estimated useful lives of property, plant and equipment for computing depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Residual value and useful lives are reviewed annually and future depreciation charges are adjusted where the useful lives differ from previous estimates. See Note 9 for the estimated useful lives of the property, plant and equipment. At 31 March 2021, if the useful lives varied by 10% against the current useful lives with all other variables held constant, the impact on profit for the year would have been Saudi Riyals 3.4 million.

Right-of-use assets and lease liabilities

Extension and termination options are included in a number of leases of the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations.

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

For leases of parcels of land and buildings, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate);
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate); and
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

(All amounts in Saudi Riyals unless otherwise stated)

4 Revenue

	2021	2020
At a point in time		
- Revenue from sale of goods	**888,587,534**	1,668,863,844
Overtime		
- Revenue from rendering of services	**46,918,800**	-
	935,506,334	1,668,863,844

Revenue of approximately Saudi Riyals 813.2 million for the year ended 31 March 2021 is derived from one external customer (for the year ended 31 March 2020: Saudi Riyals 1.6 billion derived from one external customer).

5 Cost of revenue

	Note	2021	2020
Cost of materials		**608,242,192**	1,206,407,345
Salaries and benefits		**42,772,231**	48,006,831
Depreciation	10, 11	**38,171,875**	33,288,915
Packing material		**1,651,267**	3,512,023
Provision for inventory obsolescence	13	**648,785**	3,731,391
Amortization	12	**91,673**	172,521
Sub-contractors costs		**-**	20,431,303
Other		**13,731,347**	16,961,258
		705,309,370	1,332,511,587

6 General and administrative expenses

	Note	2021	2020
Salaries and benefits		**7,864,072**	9,150,288
Professional Fee		**1,792,313**	776,399
Utilities		**1,013,136**	504,917
Depreciation	10	**249,997**	221,976
Repair		**263,102**	295,462
Travel		**110,995**	104,302
Rent		**72,162**	269,949
Amortisation	12	**22,918**	43,130
Other		**1,468,607**	1,339,518
		12,857,302	12,705,941

7 Selling and marketing expenses

	Note	2021	2020
Rent		**3,801,912**	4,999,526
Salaries and benefits		**1,258,955**	1,645,885
Depreciation	10	**96,667**	83,003
Other		**389,269**	928,786
		5,546,803	7,657,200

(All amounts in Saudi Riyals unless otherwise stated)

8 Other operating (expense) income - net

	2021	2020
Foreign exchange (loss) gain	**(1,626,608)**	2,508,341
Other	**10,820**	90,701
	(1,615,788)	2,599,042

9 Financial costs

	Note	2021	2020
Financial costs on short-term borrowings	19	**15,598,508**	25,821,712
Letter of credit facilities charges		**9,037,006**	10,352,430
Financial costs on loans from shareholders	24	**5,237,783**	5,574,055
Financial costs on lease liabilities	20	**1,210,083**	1,482,128
Accretion of employee benefit obligations	21	**495,784**	381,750
Financial costs on long-term borrowings	18	**431,858**	2,330,924
Unwinding of Saudi Industrial Development Fund (“SIDF”) commitment fees	18	**-**	440,770
Other		**-**	1,726,718
		32,011,022	48,110,487

10 Property, plant and equipment

	1 April 2020	Additions	Disposal / Transfer	Transfer (Note 1)	31 March 2021
2021					
Cost					
Buildings and leasehold improvements	46,327,776	-	2,585,021	24,290,605	**73,203,402**
Plant and machinery	424,166,247	3,543	2,534,885	128,242,815	**554,947,490**
Furniture, fixtures and office equipment	3,205,691	61,106	48,592	559,139	**3,874,528**
Vehicles	1,348,386	-	-	-	**1,348,386**
Capital work-in-progress	3,029,400	1,388,654	(5,168,498)	750,444	**-**
	478,077,500	1,453,303	-	153,843,003	**633,373,806**
Accumulated depreciation					
Buildings and leasehold improvements	(21,933,260)	(3,464,723)	-	(11,144,082)	**(36,542,065)**
Plant and machinery	(222,316,293)	(27,886,880)	-	(64,375,627)	**(314,578,800)**
Furniture, fixtures and office equipment	(2,883,551)	(176,263)	-	(535,203)	**(3,595,017)**
Vehicles	(1,211,760)	(65,644)	-	-	**(1,277,404)**
	(248,344,864)	(31,593,510)	-	(76,054,912)	**(355,993,286)**
Net book value	229,732,636				**277,380,520**

(All amounts in Saudi Riyals unless otherwise stated)

10 Property, plant and equipment (continued)

	1 April 2019	Additions	Disposals / Transfer	31 March 2020
2020				
Cost				
Buildings and leasehold improvements	46,327,776	-	-	46,327,776
Plant and machinery	424,030,406	135,841	-	424,166,247
Furniture, fixtures and office equipment	2,977,032	228,659	-	3,205,691
Vehicles	1,504,922	90,464	(247,000)	1,348,386
Capital work-in-progress	564,875	2,464,525	-	3,029,400
	475,405,011	2,919,489	(247,000)	478,077,500
Accumulated depreciation				
Buildings and leasehold improvements	(19,365,185)	(2,568,075)	-	(21,933,260)
Plant and machinery	(198,411,388)	(23,904,905)	-	(222,316,293)
Furniture, fixtures and office equipment	(2,727,915)	(155,636)	-	(2,883,551)
Vehicles	(1,363,264)	(95,496)	247,000	(1,211,760)
	(221,867,752)	(26,724,112)	247,000	(248,344,864)
Net book value	253,537,259			229,732,636

Depreciation is calculated on straight-line basis over the following estimated useful lives of the assets:

	Number of years
• Buildings and leasehold improvements	10 - 20
• Plant and machinery	2 - 20
• Furniture, fixtures and office equipment	2 - 5
• Vehicles	3 - 5

11 Right-of-use assets

	Land	Building	Total
Cost			
At 1 April 2020	35,642,206	2,413,580	**38,055,786**
Transfer	2,777,123	-	**2,777,123**
At 31 March 2021	38,419,329	2,413,580	**40,832,909**
Accumulated depreciation			
At 1 April 2020	(6,167,350)	(603,395)	**(6,770,745)**
Transfer	(308,569)	-	**(308,569)**
Depreciation	(6,032,351)	(892,678)	**(6,925,029)**
At 31 March 2021	(12,508,270)	(1,496,073)	**(14,004,343)**
Net book value			
At 31 March 2021	**25,911,059**	**917,507**	**26,828,566**

(All amounts in Saudi Riyals unless otherwise stated)

11 Right-of-use assets (continued)

	Land	Building	Total
Cost			
IFRS 16 adjustment:			
Initial recognition of right-of-use assets upon adoption of IFRS 16 at 1 April 2019	35,642,206	2,941,778	38,583,984
Terminations during the year	-	(528,198)	(528,198)
At 31 March 2020	35,642,206	2,413,580	38,055,786
Accumulated depreciation			
At 1 April 2019	-	-	-
Terminations during the year	-	99,037	99,037
Depreciation	(6,167,350)	(702,432)	(6,869,782)
At 31 March 2020	(6,167,350)	(603,395)	(6,770,745)
Net book value			
At 31 March 2020	29,474,856	1,810,185	31,285,041

The Company has leases in respect of various parcels of land and building. Rental contracts are typically made for fixed periods of 3 to 16 years and considered an extension option where the Company's management is reasonably certain to exercise.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets are not be used as security for borrowing purposes

For the year ended 31 March 2021 and 2020, the Company does not have any short-term or low value lease.

For the year ended 31 March 2021, the total cash outflow for leases was Saudi Riyals 7.9 million (31 March 2020: Saudi Riyals 7.8 million).

12 Intangible assets

	31 March 2021	31 March 2020
Cost		
At 1 April	**2,125,397**	2,115,397
Additions	**6,005**	10,000
At 31 March	**2,131,402**	2,125,397
Accumulated amortization		
At 1 April	**(1,999,248)**	(1,783,597)
Amortization for the year	**(114,591)**	(215,651)
At 31 March	**(2,113,839)**	(1,999,248)
Net book value	**17,563**	126,149

Intangible assets represent software and is amortized on a straight-line basis over their estimated useful life which is 3 years.

(All amounts in Saudi Riyals unless otherwise stated)

13 Inventories

	31 March 2021	31 March 2020
Raw materials	**32,160,026**	81,127,481
Work-in-progress	**1,058,575**	3,730,327
Finished products	**55,732,268**	54,390,617
Spare parts and supplies, held not for sale	**33,163,684**	15,151,509
Goods-in-transit	**-**	27,182,959
	122,114,553	181,582,893
Less: provision for inventory obsolescence	**(7,619,234)**	(5,799,099)
	114,495,319	175,783,794

Movement in provision for inventory obsolescence is as follows:

	2021	2020
At 1 April	**5,799,099**	2,067,708
Transfer (Note 1)	**1,171,350**	-
Addition	**648,785**	3,731,391
At 31 March	**7,619,234**	5,799,099

14 Trade and other receivables

	Note	31 March 2021	31 March 2020
Trade receivable		**323,926,639**	548,759,150
Less: ECL allowance		**(6,669,203)**	(3,927,679)
		317,257,436	544,831,471
Advances to suppliers		**18,935,429**	4,953,177
Related parties	24	**6,195,405**	89,828,620
Contract assets		**4,382,058**	-
Advance income tax	23	**4,116,376**	-
Prepaid expenses		**2,746,113**	2,408,751
Value added tax refundable		**403,355**	-
Other		**3,774,482**	476,594
		357,810,654	642,498,613

(a) Movement in ECL allowance is as follows:

	2021	2020
At 1 April	**3,927,679**	-
Transfer (Note 1)	**243,251**	-
ECL allowance	**2,498,273**	3,927,679
At 31 March	**6,669,203**	3,927,679

	2021	2020
General ECL allowance	**5,669,203**	2,927,679
Specific ECL allowance	**1,000,000**	1,000,000
	6,669,203	3,927,679

14 Trade and other receivables (continued)

(b) The Company applies the simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other financial assets. To measure the ECL allowance, trade receivables have been computed based on shared credit risk characteristics and the days past due.

(c) The ageing analysis of the trade receivables and the expected loss rates are as follows:

	Days past due				
31 March 2021	**Current up to 90 days**	**91 - 180 days past due**	**181 - 365 days past due**	**More than 730 days**	**Total**
Expected loss rate	0.01% - 0.18%	0.02% - 1.35%	7.66%	100%	
Gross carrying amount - trade receivable	129,803,104	188,198,331	5,795,810	129,394	**323,926,639**
ECL allowance	**193,164**	**4,902,686**	**443,959**	**129,394**	**5,669,203**

	Days past due				
31 March 2020	**Current up to 90 days**	**91 - 180 days past due**	**181 - 365 days past due**	**More than 730 days**	**Total**
Expected loss rate	0.01% - 0.16%	0.02% - 0.25%	0.12% - 0.63%	100%	
Gross carrying amount - trade receivable	347,406,437	111,886,688	89,140,515	325,510	548,759,150
ECL allowance	711,810	702,903	1,187,456	325,510	2,927,679

The expected loss rates are based on the payment profiles of sales over a period of 48 months before 31 March 2021 and 31 March 2020 respectively, and the corresponding historical credit losses experienced within this year. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and inflation rate of the country in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

(d) Contract assets are initially recognised for revenue earned from providing of service and is conditional on successful completion of work. Upon completion of services, the amounts recognised as contract assets are reclassified to trade receivables.

As at 31 March 2021, aggregate amount of the transaction price that are partially or fully unsatisfied is Saudi Riyals 0.2 million (31 March 2020: Nil). Management expects that 100% of the transaction price allocated to the unsatisfied contracts as at 31 March 2021 will be recognised as revenue during the year ending 31 March 2022.

The Company applies simplified approach for measuring ECL which uses a lifetime expected loss allowance for contract assets. As at 31 March 2021, the ECL allowance on contract assets was immaterial.

(e) The carrying amounts of the Company's trade and other receivables are denominated in Saudi Riyals.

(f) The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to the credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

(g) The Company does not hold any collateral as security.

(All amounts in Saudi Riyals unless otherwise stated)

15 Cash and cash equivalents

	31 March 2021	31 March 2020
Cash in hand	**12,243**	33,393
Cash at bank	**42,304,200**	69,090,727
	42,316,443	69,124,120

16 Share capital

The share capital of the Company as of 31 March 2021 comprised of 21,000,000 shares stated at Saudi Riyals 10 per share (31 March 2020: 76,046,875 shares stated at Saudi Riyals 1 per share) owned as follows:

Shareholder	Country of incorporation	Shareholding percentage 2021	2020
Welspun Mauritius Holdings Company Ltd.	Mauritius	**50.01**	50.01
Aziz Company for Contracting & Industrial Investment	Saudi Arabia	**28.50**	28.50
Vision International Investment Company	Saudi Arabia	**16.50**	16.50
Mohawareen Industrial Services	Saudi Arabia	**4.99**	4.99
		100.00	100.00

During the year ended 31 March 2021, the BoD of the Company recommended to increase the Company's share capital by Saudi Riyals 5 as part of the conversion of the Company from a limited liability company to a closed joint stock company. Based on the BoD recommendation, the Company's shareholders resolved in their extraordinary general assembly meeting held on 21 September 2020 to increase the share capital by Saudi Riyals 5. The legal formalities relating to such increase in share capital were completed during the year ended 31 March 2021.

In addition, as part of the conversion of the Company to a closed joint stock company, the total number of shares increased from 76,046,875 to 76,048,880 stated at Saudi Riyals 1 per share and were converted into 7,604,688 shares stated at Saudi Riyals 10 per share.

On 28 December 2020, the shareholders in their extraordinary general assembly meeting resolved to convert the loans from shareholders amounting to Saudi Riyals 134.0 million to the share capital. The legal formalities relating to amendment of CR were completed during the year ended 31 March 2021. Also see Notes 24 and 28.

17 Statutory reserve

In accordance with the Company's by-laws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the profit for the year to a statutory reserve, after adjusting accumulated losses, until such reserve equals at least 30% of its share capital. This reserve currently is not available for distribution to the shareholders of the Company.

18 Long-term borrowings

	Note	31 March 2021	31 March 2020
SIDF	18.1	-	32,698,000
Commercial bank loan	18.2	-	37,500,000
		-	70,198,000
Add: accrued financial costs		-	541,125
		-	70,739,125
Long-term borrowings are presented as follows:			
Current portion under current liabilities		-	-
Long-term portion under non-current liabilities		-	70,739,125
		-	70,739,125

18.1 SIDF loan

This represented loan obtained by the Company from SIDF of Saudi Riyals 125.2 million to finance the construction of the Company's plant facilities. The loan was denominated in Saudi Riyals. Up-front and annual administrative fees were charged by SIDF under the loan arrangement. During the year ended 31 March 2021, the Company has fully repaid the borrowing from SIDF.

18.2 Commercial bank loan

During 2016, the Company obtained a loan facility from a local commercial bank. The loan was denominated in Saudi Riyals and bore financial charges based on prevailing market rates which was based on Saudi Inter-Bank Offer Rates ("SIBOR"). During the year ended 31 March 2021, the Company has fully repaid the borrowing from a commercial bank.

19 Short-term borrowings

	31 March 2021	31 March 2020
Short-term borrowings	**129,200,872**	435,041,816
Accrued financial costs	**1,207,907**	1,385,899
	130,408,779	436,427,715

These represent short-term bank borrowings obtained from various local commercial banks and bear financial charges at prevailing market rates which are based on SIBOR. These facilities are secured against corporate guarantees from shareholders of the Company. The carrying value of the short-term borrowings are denominated in Saudi Riyals.

(All amounts in Saudi Riyals unless otherwise stated)

20 Lease liabilities

The Company has entered into certain agreements which entitled the Company to right-of-use asset and obligations relating to parcels of land and building.

	31 March 2021	31 March 2020
Future minimum lease payments	**47,532,936**	43,932,936
Less: repayment of minimum lease payments	**(16,029,535)**	(7,795,928)
	31,503,401	36,137,008
Less: future financial costs not yet due	**(3,864,696)**	(4,412,604)
Net present value of minimum lease payment	**27,638,705**	31,724,404
Less: current portion presented under current liabilities	**(5,932,328)**	(6,616,727)
Non-current portion of lease liabilities	**21,706,377**	25,107,677

Movement in lease liabilities is as follows:

	2021	2020
At 1 April	**31,724,404**	-
Initial recognition of lease liabilities upon adoption of IFRS 16	**-**	38,583,984
Transfer (Note 1)	**2,637,825**	-
Accretion of financial costs during the year	**1,210,083**	1,482,128
Lease terminated during the year	**-**	(545,780)
Payments made during the year	**(7,933,607)**	(7,795,928)
At 31 March	**27,638,705**	31,724,404

21 Employee benefit obligations

21.1 General description of the plan

The Company operates a defined benefit plan in line with the Labor Law requirements in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labor Law of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment. An independent actuary carried out latest valuation of employee benefit obligations under the projected unit credit method as at 31 March 2021.

	Note	2021	2020
At 1 April		**12,033,140**	9,217,750
Transfer	1	**3,475,970**	-
Current service cost		**1,459,983**	1,631,150
Interest expense		**495,784**	381,750
Payments		**(1,344,271)**	(470,880)
Remeasurements		**509,422**	1,273,370
At 31 March		**16,630,028**	12,033,140

(All amounts in Saudi Riyals unless otherwise stated)

21 Employee benefit obligations (continued)

21.2 Amounts recognised in the statement of profit or loss and other comprehensive income

The amounts recognised in the statement of profit or loss and other comprehensive income related to employee benefit obligations are as follows:

	2021	**2020**
Current service cost	**1,459,983**	1,631,150
Interest expense	**495,784**	381,750
Total amount recognised in profit or loss	**1,955,767**	2,012,900
Remeasurements		
(Gain) loss from change in financial assumptions	**(214,183)**	1,123,150
Experience losses	**723,605**	150,220
Total amount recognised in other comprehensive income	**509,422**	1,273,370

21.3 Key actuarial assumptions

	2021	**2020**
Discount rate	**3.60%**	3.50%
Salary growth rate	**3.00%**	3.00%

21.4 Sensitivity analysis for actuarial assumptions

	Change in assumption		**Impact on employee benefit obligations**	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	1.00%	(1,946,929)	2,325,657
Salary growth rate	1.00%	1.00%	2,315,878	(1,974,858)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the employee benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

21.5 Expected maturity analysis

The weighted average duration of the defined benefit obligation of the Company is 13 years. The expected maturity analysis of undiscounted post-employment benefits is as follows:

	Less than a year	**Between 1 - 2 years**	**Between 2 - 5 years**	**Over 5 years**	**Total**
31 March 2021	605,778	458,442	2,410,698	87,986,012	**91,460,930**

(All amounts in Saudi Riyals unless otherwise stated)

22 Trade and other payables

	Note	31 March 2021	31 March 2020
Trade payables		**76,529,397**	108,298,712
Advances from customers		**17,324,513**	38,739,558
Accrued expenses		**8,284,236**	13,920,611
Salaries and benefits		**7,026,472**	7,909,358
Related parties	24	**401,501**	-
Value added tax payable		**-**	22,960,471
Other		**3,137**	-
		109,569,256	191,828,710

23 Zakat and income tax matters

23.1 Components of approximate zakat base attributable to Saudi shareholders

	2021	2020
Equity at beginning of year	**138,253,531**	13,470,493
Increase in share capital	**66,963,167**	-
Provisions at beginning of year	**10,205,782**	5,406,208
Borrowings, as adjusted	**66,492,060**	147,025,986
Lease liabilities	**13,816,589**	15,859,030
Property, plant and equipment, as adjusted	**(138,671,302)**	(114,906,407)
Right-of-use assets, as adjusted	**(13,315,191)**	(15,639,392)
Other	**(16,578,526)**	(7,574,239)
Zakat base excluding adjusted profit for the year	**127,166,110**	43,641,679
Adjusted profit for the year	**90,448,151**	138,083,359
Approximate zakat base	**217,614,261**	181,725,038

Zakat is payable at 2.578% of the zakat base, excluding adjusted profit for the year, attributable to the Saudi shareholder. Zakat on adjusted profit for the year is payable at 2.5%.

23.2 Income tax expense

	2021	2020
Current tax	**14,541,025**	21,364,745
Deferred tax charge	**7,264,536**	3,674,401
	21,805,561	25,039,146

(All amounts in Saudi Riyals unless otherwise stated)

23 Zakat and income tax matters (continued)

23.3 Zakat and income tax payable

	Zakat	Income tax	Total
At 1 April 2020	4,627,405	17,986,307	**22,613,712**
Transfer (Note 1)	236,616	253,742	**490,358**
Provisions for the year	5,596,192	14,541,025	**20,137,217**
Payment	(4,642,766)	(20,868,437)	**(25,511,203)**
Advance tax paid during the year	-	(16,029,013)	**(16,029,013)**
At 31 March 2021	**5,817,447**	**(4,116,376)**	**1,701,071**
At 1 April 2019	50,378	(3,218,604)	(3,168,226)
Provisions for the year	4,577,027	21,364,745	25,941,772
Advance tax paid during the year	-	(159,834)	(159,834)
At 31 March 2020	4,627,405	17,986,307	22,613,712

Advance income tax amounting to Saudi Riyals 4.1 million is included in trade and other receivables.

23.4 Numerical reconciliation of income tax expense to prima facie tax payable

	2021	2020
Profit before zakat and income tax	**175,667,776**	266,549,992
Income tax rate applicable to the Company	**20%**	20%
Effective shareholding subject to income tax	**50.01%**	50.01%
Income tax on effective shareholding	**17,570,291**	26,660,330
Reconciliation:		
Tax effect of unrecognized deferred tax assets	**4,655,138**	-
Tax effect of disallowed expenses	**(419,868)**	(1,621,184)
	21,805,561	25,039,146

23.5 Temporary differences

	2021	2020
Profit before zakat and income tax	**175,667,776**	266,549,992
Temporary differences:		
- Employee benefit obligations	**2,627,487**	2,012,900
- ECL allowance	**2,498,274**	3,927,679
- Provision for inventory obsolescence	**648,785**	3,731,391
- Other	**(509,834)**	-
Adjusted net income for the year for zakat purpose	**180,932,488**	276,221,962

(All amounts in Saudi Riyals unless otherwise stated)

23 Zakat and income tax matters (continued)

23.6 Status of certificates and final assessments

The Company has obtained final zakat and income tax assessments from Zakat, Tax and Customs Authority for the years through 2010. The assessments for the years from 2011 through 2020 are currently under review by Zakat, Tax and Customs Authority. The Company has obtained zakat and income tax certificates for the years through 2020.

Subsequent to the reporting date, the Company received zakat and tax assessment for the year 2016 with additional liability of Saudi Riyals 4.6 million. The Company is currently in the process of submitting its objections over the assessment with Zakat, Tax and Customs Authority. Management of the Company believes that no liability will arise upon the ultimate resolution of such assessment. Accordingly, no adjustment has been made in 2021 financial statements.

23.7 Deferred tax liability

The balance comprises temporary differences attributable to:

	31 March 2021	31 March 2020
Carry forward losses	**(34,400,639)**	(58,167,969)
Employee benefit obligations	**(8,316,679)**	(6,017,775)
Provision for inventory obsolescence	**(3,810,379)**	(2,900,129)
Property, plant and equipment	**90,275,888**	69,591,599
Other	**(3,731,635)**	1,188,155
Taxable temporary differences - net	**40,016,556**	3,693,881
Deferred tax liability	**8,003,312**	738,776

23.8 Deferred tax liability movement

Movement in deferred taxes is attributable to:

	Carry forward losses	Employee benefit obligations	Provision for inventory obsolescence	Property, plant and equipment	Other	Total
At 1 April 2020	(11,633,594)	(1,203,555)	(580,026)	13,918,320	237,631	**738,776**
Charged (credited) to: Statement of profit or loss and other comprehensive income	4,753,466	(459,780)	(182,050)	4,136,858	(983,958)	**7,264,536**
At 31 March 2021	(6,880,128)	(1,663,335)	(762,076)	18,055,178	(746,327)	**8,003,312**

	Carry forward losses	Employee benefit obligations	Provision for inventory obsolescence	Property, plant and equipment	Other	Total
At 1 April 2019	(18,468,282)	(921,959)	(206,812)	16,661,428	-	(2,935,625)
Charged (credited) to: Statement of profit or loss and other comprehensive income	6,834,688	(281,596)	(373,214)	(2,743,108)	237,631	3,674,401
At 31 March 2020	(11,633,594)	(1,203,555)	(580,026)	13,918,320	237,631	738,776

Upon merger, the unused tax losses of WMEPC amounting to Saudi Riyals 50.5 million were not used for the recognition of deferred tax asset due to the uncertainty of admissibility of transfer of unused tax losses to the Company.

(All amounts in Saudi Riyals unless otherwise stated)

24 Related party transactions and balances

Related parties comprise the shareholders, directors, associated companies and key management personnel. Related parties also include business entities in which shareholders have an interest ("other related parties").

The shareholders' agreement requires qualified majority voting for all key decisions. Accordingly, the Company is jointly-controlled by the major shareholders i.e. Welspun Mauritius Holdings Company Limited (50.01%), Aziz Company for Contracting & Industrial Investment (28.5%) and Vision International Investment Company (16.5%). Welspun Mauritius Holdings Company Limited is ultimately controlled by Welspun Corp Limited.

(a) Following are the significant transactions entered into by the Company:

Nature of transactions and relationship	**2021**	**2020**
Purchases and other related services from the associated companies	**25,288,897**	20,433,477
Corporate guarantee charges to Company	**6,847,944**	-
IPO expenses charged to shareholders	**5,930,032**	-
Financial charges charged by the shareholders	**5,237,783**	5,574,055
Purchases and other related services from a shareholder	**742,009**	3,264,329
Sales to an associated company	**-**	2,918,956
Cost charged by the shareholders	**-**	3,412,978
Cost charged to associated companies	**-**	1,434,581

(b) Key management personnel compensation:

	2021	**2020**
Salaries and other short-term employee benefits	**3,049,096**	3,193,250
Post-employment benefits	**109,224**	162,577
	3,158,320	3,355,827

(c) Loans from shareholders

	31 March 2021	**31 March 2020**
Welspun Mauritius Holdings Company Ltd.	**482,827**	52,816,198
Aziz Company for Contracting & Industrial Investment	**275,148**	35,289,022
Vision International Investment Company	**159,288**	17,777,176
Mohawareen Industrial Services	**48,176**	-
Total principal element of loans from shareholders	**965,439**	105,882,396
Accrued financial costs	**2,199,029**	-
	3,164,468	105,882,396

(All amounts in Saudi Riyals unless otherwise stated)

24 Related party transactions and balances (continued)

(c) Loans from shareholders (continued)

Movement in principal element of loans from shareholders is as follows:

	31 March 2021	**31 March 2020**
At 1 April	**105,882,396**	105,882,396
Transfer from WMEPC (Note 1)		
Welspun Mauritius Holdings Company Limited	**14,023,443**	-
Aziz Company for Contracting & Industrial Investment	**6,755,724**	-
Vision International Investment Company	**8,256,996**	-
	29,036,163	-
Additions:		
Mohawareen Industrial Services	**6,732,437**	-
Welspun Mauritius Holdings Company Limited	**633,141**	-
	7,365,578	-
Repayments:		
Vision International Investment Company	**(3,772,619)**	-
Aziz Company for Contracting & Industrial Investment	**(3,592,959)**	-
	(7,365,578)	-
	134,918,559	105,882,396
Transfer to share capital:		
Welspun Mauritius Holdings Company Limited	**(66,989,955)**	-
Aziz Company for Contracting & Industrial Investment	**(38,176,639)**	-
Vision International Investment Company	**(22,102,265)**	-
Mohawareen Industrial Services	**(6,684,261)**	-
	(133,953,120)	-
At 31 March	**965,439**	105,882,396

These represent loans obtained from shareholders which carry financial charges at prevailing market rates. These loans are due for repayment within twelve months from the reporting date. The shareholders in their extraordinary general meeting resolved to transfer the principal element of loans amounting to Saudi Riyals 134.0 million from 'loans from shareholders' to 'share capital'.

(d) Outstanding balances arising from sales / purchases of goods and services

(i) *Due from related parties*

	31 March 2021	**31 March 2020**
Welspun Mauritius Holdings Company Limited	**2,965,609**	-
Aziz Company for Contracting & Industrial Investment	**1,791,178**	-
Vision International Investment Company	**978,456**	-
Mohawareen Industrial Services	**295,909**	-
Welspun Corp Limited	**110,779**	3,370
Aziz European Pipe Factory	**53,474**	-
WMEPC	**-**	89,825,250
	6,195,405	89,828,620

24 Related party transactions and balances (continued)

(d) Outstanding balances arising from sales / purchases of goods and services (continued)

(ii) Due to related parties

	31 March 2021	**31 March 2020**
Mohawareen Industrial Services	**231,880**	-
Vision International Investment Company	**137,804**	-
Arabian Pipes Project Co.	**31,817**	-
	401,501	-

25 Financial risk management

25.1 Financial risk factors

The Company's activities expose it to a variety of financial risks including the effects of changes in market risk (including currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by the BoD.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The BoD has overall responsibility for the establishment and oversight of the Company's risk management framework and is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

(a) Market risk

(i) Currency risk

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 primarily in Saudi Riyals and United States dollars. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. Exchange differences are mainly from the Company's transactions in United States dollars. The Company manages the currency risk through regular monitoring of the currency markets to determine appropriate action to minimise the foreign exchange risk exposure.

25 Financial risk management (continued)

25.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Fair value and cash flow interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company borrows at interest rates on commercial terms.

Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. At 31 March 2021 and 31 March 2020, the Company's borrowings were denominated in Saudi Riyals.

The long-term borrowings from commercial banks carry variable rates of interest. The Company analyses its interest rate exposure on a regular basis and reassesses the source of borrowings and renegotiates interest rates at terms favourable to the Company. At 31 March 2021, there is no outstanding long-term borrowings from commercial banks (31 March 2020: Saudi Riyals 0.4 million).

The loans from shareholders carry variable rates of interest. The Company analyses its interest rate exposure on a regular basis and reassesses the source of borrowings and renegotiates interest rates at terms favourable to the Company. At 31 March 2021, if the interest rate were to shift by 1%, there would be a maximum increase or decrease in the financial costs by Saudi Riyals 0.1 million (31 March 2020: Saudi Riyals 1.1 million).

The short-term borrowing interest rates with banks are subject to change upon re-negotiation of the facilities which takes place on at frequent intervals. At 31 March 2021, if the interest rate were to shift by 1%, there would be a maximum increase or decrease in the interest expense by Saudi Riyals 1.6 million (31 March 2020: Saudi Riyals 3.0 million).

(iii) Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company's financial assets and liabilities are not exposed to price risk.

(b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk in respect of:

- Payment of trade receivables; and
- Contractual cash flows related to other financial assets carried at amortised costs.

Trade receivables:

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. At 31 March 2021, 98% of trade receivable balance was due from two customers (31 March 2020: 97% of trade receivables were due from a customer). Management believes that this concentration of credit risk is mitigated as such receivable is from a quasi-government customer having an established track record of timely payments.

25 Financial risk management (continued)

25.1 Financial risk factors (continued)

(b) Credit risk (continued)

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivable. The Company has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of receivables.

The Company establishes ECL allowance that represents its estimate of potential losses in respect of trade and other receivables. The main components of this loss are a specific loss component that relates to individual exposures and a collective loss component established for similar assets in respect of any potential losses that may have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry in which customers operate, has less of an influence on credit risk.

Credit risk on related parties is considered minimal as management monitors and reconciles amounts due from related parties on a regular basis and recoverability is not considered to be doubtful. Management does not expect any losses from non-performance by such related parties. At 31 March 2021 and 31 March 2020, the ECL allowance on related party receivables was immaterial.

Other financial assets carried at amortised costs:

Other financial assets at amortised cost include other receivables. The contract assets and other financial assets are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Management consider 'low credit risk' for other receivables and contract assets. At 31 March 2021 and 31 March 2020, the ECL allowance on other financial assets were immaterial.

Cash at bank:

For banks, parties generally with a minimum rating of P-2 are accepted. The stated rating is as per the global bank ratings by Moody's Investors Service. Management does not expect any losses from non-performance by these counterparties.

(c) Liquidity risk

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Company has access to credit facilities.

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal ratio targets.

The table below analyses the Company's financial liabilities into the relevant maturity grouping based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

(All amounts in Saudi Riyals unless otherwise stated)

25 Financial risk management (continued)

25.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than one year	1 to 2 years	2 to 5 years	Over 5 years	Total
2021					
Bank borrowings	131,512,160	-	-	-	**131,512,160**
Lease liabilities	6,362,320	8,095,929	9,100,464	7,944,688	**31,503,401**
Long-term loans from shareholders	4,197,340	-	-	-	**4,197,340**
Trade and other payables	92,241,606	-	-	-	**92,241,606**
	234,313,426	8,095,929	9,100,464	7,944,688	**259,454,507**

	Less than one year	1 to 2 years	2 to 5 years	Over 5 years	Total
2020					
Bank borrowings	523,062,017	-	-	-	523,062,017
Lease liabilities	8,670,927	6,920,928	14,400,464	6,144,689	36,137,008
Long-term loans from shareholders	5,574,055	105,882,396	-	-	111,456,451
Trade and other payables	130,128,681	-	-	-	130,128,681
	667,435,680	112,803,324	14,400,464	6,144,689	800,784,157

25.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the statement of financial position, less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratios at 31 March were as follows:

	2021	2020
Total borrowings including lease liabilities	**161,211,952**	644,773,640
Less: cash and cash equivalents	**(42,316,443)**	(69,124,120)
Net debt	**118,895,509**	575,649,520
Total equity	**517,617,070**	276,562,375
Total capital	**636,512,579**	852,211,895
Gearing ratio	**19%**	68%

(All amounts in Saudi Riyals unless otherwise stated)

25 Financial risk management (continued)

25.3 Net debt reconciliation

The net debt of the Company is as follows:

	2021	**2020**
Cash and cash equivalents	**42,316,443**	69,124,120
Long-term loans from shareholders	**(3,164,468)**	(105,882,396)
Short-term borrowings	**(130,408,779)**	(436,427,715)
Lease liabilities	**(27,638,705)**	(31,724,404)
Long-term borrowings	**-**	(70,739,125)
Net debt	**(118,895,509)**	(575,649,520)

(All amounts in Saudi Riyals unless otherwise stated)

25 Financial risk management (continued)

25.3 Net debt reconciliation (continued)

The Company's net debt reconciliation is as follows:

31 March 2021	**1 April 2020**	**Cash flows**	**Transfers**	**Other**	**31 March 2021**
Cash and cash equivalents	69,124,120	(26,834,391)	26,714	-	**42,316,443**
Loans from shareholders (Notes 1, 16 and 24)	(105,882,396)	-	104,916,958	(2,199,030)	**(3,164,468)**
Short-term borrowings	(436,427,715)	305,840,944	-	177,992	**(130,408,779)**
Lease liabilities	(31,724,404)	6,723,524	(2,637,825)	-	**(27,638,705)**
Long-term borrowings	(70,739,125)	70,198,000	-	541,125	**-**
Net debt	(575,649,520)	355,928,077	102,305,847	(1,479,913)	**(118,895,509)**

31 March 2020	**1 April 2019**	**Recognised on adoption of IFRS 16**	**Cash flows**	**Transfers**	**Other**	**31 March 2020**
Cash and cash equivalents	16,237,420	-	52,886,700	-	-	69,124,120
Loans from shareholders	(105,882,396)	-	-	-	-	(105,882,396)
Short-term borrowings	(187,123,925)	-	(247,917,891)	-	(1,385,899)	(436,427,715)
Lease liabilities	-	(38,583,984)	6,313,800	-	545,780	(31,724,404)
Long-term borrowings	(107,698,000)	-	37,500,000	-	(541,125)	(70,739,125)
Net debt	(384,466,901)	(38,583,984)	(151,217,391)	-	(1,381,244)	(575,649,520)

(All amounts in Saudi Riyals unless otherwise stated)

26 Categories of financial instruments

The following are the measurement categories for the financial instruments held by the Company:

	Financial assets carried at amortised cost	
31 March	**2021**	**2020**
Assets as per statement of financial position		
Trade and other receivables	**323,452,841**	634,660,091
Cash and cash equivalents	**42,316,443**	69,124,120
Total	**365,769,284**	703,784,211

	Financial liabilities carried at amortised cost	
31 March	**2021**	**2020**
Liabilities as per statement of financial position		
Bank borrowings	**130,408,779**	507,166,840
Long-term loans from shareholders	**3,164,468**	105,882,396
Lease liabilities	**27,638,705**	31,724,404
Trade and other payables	**92,241,606**	130,128,681
Total	**253,453,558**	774,902,321

For the purpose of the financial instruments disclosure, non-financial assets and non-financial liabilities amounting to Saudi Riyals 34.4 million and Saudi Riyals 17.3 million respectively (31 March 2020: Saudi Riyals 7.8 million and Saudi Riyals 61.7 million respectively) have been excluded from trade and other receivables and trade and other payables, respectively.

27 Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The Company has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements. Management regularly reviews significant unobservable inputs and valuation adjustments.

As at 31 March 2021 and 31 March 2020, the fair values of the Company's financial instruments are estimated to approximate their carrying values since the financial instruments which do not bear interest are short term in nature and are expected to be realized at their current carrying values within twelve months from the date of statement of financial position, while the financial instruments which bear interest are at variable interest rates, adjusted in line with prevailing market rates.

(All amounts in Saudi Riyals unless otherwise stated)

28 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue during the year. As the Company does not have any dilutive potential shares, the diluted earnings per share is the same as the basic earnings per share.

	For the year ended 31 March	
	2021	**2020**
Profit for the year	**148,266,023**	236,933,819
Weighted average number of ordinary shares for basic and diluted earnings per share	**10,136,952**	7,604,688
Earnings per share	**14.63**	31.16

The weighted average number of shares for the year ended 31 March 2020 have been adjusted to reflect the reduction in number of shares from 76,046,875 shares into 7,604,688 shares.

28.1 Movement in the total number of outstanding shares

	2021	**2020**
	(Number of shares)	
1 April	**76,046,875**	76,046,875
Increase in the number of shares against retained earnings	**5**	-
	76,046,880	76,046,875
Reduction in the number of shares	**(68,442,192)**	-
	7,604,688	76,046,875
Increase in the number of shares through conversion of loans from shareholders	**13,395,312**	-
31 March	**21,000,000**	76,046,875

Also see Note 16.

29 Segment reporting

Subsequent to the Effective date of the merger between the Company and WMEPC, the reporting pack reviewed by the CODM contained the results of both the manufacturing and sale of spiral steel pipes and spiral pipes coating services, separately and hence management considered these as separate operating segments (the "Segments"). However, as of 31 March 2021, the composition of the Company's operating segments has changed and management has started looking at the results of both the Segments on a combined basis. The reporting pack provided to and reviewed by the CODM also includes the results of both the Segments on a combined basis and hence both the Segments are considered as one operating segment.

30 Contingencies and commitments

As at 31 March 2021, the Company was contingently liable for letters of credits and guarantees in the normal course of business amounting to Saudi Riyals 479.9 million (31 March 2020: Saudi Riyals 517.4 million).

31 Events after the reporting date

Subsequent to the reporting date, the Company received additional zakat and income tax assessments for the year 2016. Also see Note 23. No other events have arisen subsequent to 31 March 2021 and before the date of signing the independent auditor's report, that could have a significant effect on the financial statements as at 31 March 2021.

WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A limited liability company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019
AND INDEPENDENT AUDITOR'S REPORT

WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A limited liability company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

Independent auditor's report to the shareholders of Welspun Middle East Pipes Coating Company

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Welspun Middle East Pipes Coating Company (the "Company") as at 31 March 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

What we have audited

The company's financial statements comprise:

- the statement of profit or loss and other comprehensive income for the year ended 31 March 2019;
- the statement of financial position as at 31 March 2019;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing that are 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's Articles of Association, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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Independent auditor's report to the shareholders of Welspun Middle East Pipes Coating Company (continued)

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 International Standards on Auditing, that are 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, that are endorsed in the Kingdom of Saudi Arabia we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

We communicate with management 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.

PricewaterhouseCoopers

Sahar M. Hashem
License Number 439

27 May 2019

WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A limited liability company)
Statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended 31 March 2019	2018
Revenue	5	**46,856,678**	34,425,040
Cost of revenue	6	**(56,198,151)**	(44,958,222)
Gross loss		**(9,341,473)**	(10,533,182)
General and administrative expenses	7	**(4,749,735)**	(3,595,760)
Other operating income - net	8	**724,976**	107,768
Operating loss		**(13,366,232)**	(14,021,174)
Financial costs	9	**(4,773,782)**	(5,226,693)
Loss for the year		**(18,140,014)**	(19,247,867)
Other comprehensive loss			
Items that will not be reclassified to profit or loss			
Remeasurements of employee benefit obligations	17	**(263,810)**	(22,150)
Total comprehensive loss for the year		**(18,403,824)**	(19,270,017)

The accompanying notes are an integral part of these financial statements.

WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A limited liability company)
Statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
Assets				
Non-current assets				
Property, plant and equipment	10	**87,639,042**	96,003,939	104,520,764
Trade and other receivables	12	**-**	285,165	665,385
Total non-current assets		**87,639,042**	96,289,104	105,186,149
Current assets				
Inventories	11	**12,358,009**	12,223,870	4,382,655
Trade and other receivables	12	**3,026,244**	9,712,688	2,621,777
Cash and cash equivalents	13	**249,124**	1,842,826	379,105
Total current assets	1	**15,633,377**	23,779,384	7,383,537
Total assets		**103,272,419**	120,068,488	112,569,686
Equity and liabilities				
Equity				
Share capital	14	**33,765,625**	33,765,625	33,765,625
Accumulated deficit	1	**(90,619,182)**	(72,215,358)	(52,945,341)
Net equity	1	**(56,853,557)**	(38,449,733)	(19,179,716)
Liabilities				
Non-current liabilities				
Long-term borrowings	16	**-**	11,486,378	7,640,464
Long-term loans from shareholders	20	**79,036,162**	79,036,162	79,036,162
Employee benefit obligations	17	**2,214,920**	1,642,430	1,266,930
Total non-current liabilities		**81,251,082**	92,164,970	87,943,556
Current liabilities				
Trade and other payables	18	**75,611,516**	66,353,251	36,922,190
Current portion of long-term borrowings	16	**3,263,378**	-	6,883,656
Total current liabilities	1	**78,874,894**	66,353,251	43,805,846
Total liabilities		**160,125,976**	158,518,221	131,749,402
Net equity and liabilities		**103,272,419**	120,068,488	112,569,686

The accompanying notes are an integral part of these financial statements.

WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A limited liability company)
Statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Welspun Mauritius Holdings Company Ltd.	Arabian Pipe Line Project Company	Mohawareen Industrial Services	Total
Share capital					
1 April 2017, 31 March 2018 and 2019	14	**16,886,189**	**15,194,531**	**1,684,905**	**33,765,625**
Accumulated deficit					
1 April 2017	4	(26,480,702)	(23,822,940)	(2,641,699)	(52,945,341)
Loss for the year		(9,625,858)	(8,661,540)	(960,469)	(19,247,867)
Other comprehensive loss for the year		(11,077)	(9,968)	(1,105)	(22,150)
Total comprehensive loss for the year		(9,636,935)	(8,671,508)	(961,574)	(19,270,017)
31 March 2018		(36,117,637)	(32,494,448)	(3,603,273)	(72,215,358)
Loss for the year		(9,071,821)	(8,163,006)	(905,187)	(18,140,014)
Other comprehensive loss for the year		(131,931)	(118,715)	(13,164)	(263,810)
Total comprehensive loss for the year		(9,203,752)	(8,281,721)	(918,351)	(18,403,824)
31 March 2019		**(45,321,389)**	**(40,776,169)**	**(4,521,624)**	**(90,619,182)**
Net equity					
31 March 2019		**(28,435,200)**	**(25,581,638)**	**(2,836,719)**	**(56,853,557)**
31 March 2018		(19,231,448)	(17,299,917)	(1,918,368)	(38,449,733)

WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A limited liability company)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended March 31, 2019	2018
Cash flows from operating activities			
Loss for the year		**(18,140,014)**	(19,247,867)
Adjustments for:			
Depreciation	10	**8,455,635**	8,521,904
(Gain) loss from disposal of property and equipment	10	**(38,228)**	4,321
Provision (reversal) for inventory obsolescence	11	**73,817**	(65,516)
Expected credit loss ("ECL") allowance on trade receivables	12	**(243,251)**	-
Financial cost		**4,773,782**	5,226,693
Employee benefit obligations		**381,120**	353,350
Changes in operating assets and liabilities:			
Increase in inventories		**(207,956)**	(7,775,698)
Decrease (increase) in trade and other receivables		**7,214,860**	(6,710,692)
Increase in trade and other payables		**5,108,866**	25,281,662
Cash generated from operations		**7,378,631**	5,588,157
Employee benefit obligations paid		**(72,440)**	-
Financial cost paid		**(624,383)**	(615,036)
Net cash inflow from operating activities		**6,681,808**	4,973,121
Cash flows from investing activities			
Purchase of property, plant and equipment	10	**(90,738)**	(9,400)
Proceeds from disposal of property, plant and equipment		**38,228**	-
Net cash outflow from investing activities		**(52,510)**	(9,400)
Cash flows from financing activities			
Repayments of long-term borrowings		**(8,223,000)**	(3,500,000)
Net change in cash and cash equivalents		**(1,593,702)**	1,463,721
Cash and cash equivalents at beginning of year		**1,842,826**	379,105
Cash and cash equivalents at end of year		**249,124**	1,842,826

The accompanying notes are an integral part of these financial statements.

1 General information

Welspun Middle East Pipes Coating Company (the "Company") is engaged in providing spiral pipes coating services.

The Company is a limited liability company licensed under foreign investment license number 121031119001 issued by Saudi Arabian General Investment Authority on 22 Rajab 1431 H (July 4, 2010) operating under commercial registration number 2050071524 issued in Dammam on 22 Rajab 1431 H (July 4, 2010). The registered address of the Company is P.O Box 12943, Dammam 31483, Kingdom of Saudi Arabia.

The Company has incurred a net loss of Saudi Riyals 18.4 million for the year ended 31 March 2019 and has accumulated losses of Saudi Riyals 90.6 million which exceed 50% of its share capital. Also, the Company's current liabilities exceeded its current assets by Saudi Riyals 63.2 million as of 31 March 2019. These conditions indicate that the Company's ability to meet its obligation as they become due and to continue as a going concern depends upon its ability to generate positive operating cash flows and to obtain adequate financial support from the shareholders. In accordance with the requirements of the Regulations for Companies, the shareholders of the Company have resolved to provide adequate financial support to the Company to meet its obligations as they become due and to continue as a going concern.

The two years' business plan prepared by management of the Company, shows improvement in the financial performance of the Company over the coming years resulting from increase in production and increase in revenues. Accordingly, the accompanying financial statements have been prepared under the going concern basis.

The accompanying financial statements were approved by the Company's management on 27 May 2019.

2 Summary of significant accounting policies

The principal accounting policies applied for the preparation of financial statements of the Company are set out below.

2.1 Basis of preparation

(a) Statement of compliance

These financial statements of the Company have been prepared in compliance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia ("IFRS"), and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA").

For all periods up to and including the year ended 31 March 2018, the Company prepared its financial statements in accordance with local generally accepted accounting principles as issued by SOCPA ("previous GAAP"). These are the first annual financial statements for the year ended 31 March 2019 in accordance with IFRS and other standards and pronouncements issued by SOCPA. In preparing the financial statements, the Company's opening statement of financial position was prepared as at 1 April 2017 which is the Company's date of transition to IFRS, in compliance with IFRS 1 "First time adoption of International Financial Reporting Standards" ("IFRS 1") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA.

Explanations of how the transition to IFRS has affected the reported amounts of statement of financial position, statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Company are provided in Note 4.

(b) Historical cost convention

These financial statements are prepared under the historical cost convention except for the measurement of employee benefit obligations as explained in the relevant accounting policies.

(c) Standards issued but not yet effective

Certain new standards and amendments to existing standards have been published that are mandatory for the Company's accounting periods beginning 1 January 2019 or later period, but have not been early adopted by the Company. The Company is currently evaluating the impact that these new accounting standards, amendments and interpretations may have on its financial statements.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) Standards issued but not yet effective (continued)

IFRS 16 - "*Leases*"

IFRS 16 replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement Contains a Lease', SIC-15 'Operating Leases - Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

The Company will recognise new assets and liabilities for its operating leases of various types of contracts including office rent, vehicles etc. The nature of expenses related to those leases will now change because the Company will recognize a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognized.

In accordance with the transitional provisions in IFRS 16, the Company plans to apply IFRS 16 initially on 1 April 2019, using the modified retrospective transitional method, taking into consideration the exemption allowing it not to restate comparative information or prior periods. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings as at 1 April 2019. As at the reporting date, the Company has operating lease commitments of Saudi Riyals 3.4 million, see note 23.

There are no other relevant IFRS or IFRS Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements.

2.2 Revenue

Revenue is measured at the fair value of the consideration received or receivable net of returns, allowances and trade discounts for the rendering of the services in the ordinary course of the Company's activities. The Company recognizes revenue when control of the such services has transferred, being when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the services.

2 Summary of significant accounting policies (continued)

2.3 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in "Saudi Riyals", which is the Company's presentation as well as functional currency.

(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 other than Saudi Riyals are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

2.4 Operating leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

2.5 Zakat and taxes

In accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"), the Company is subject to zakat attributable to the Saudi shareholding and to income tax attributable to the foreign shareholding in the Company. Provisions for zakat and income tax are charged to profit or loss for the year. Additional amounts, if any, are accounted for when determined to be required for payment. Further, the amounts for zakat and income tax expense for the year are presented in the statement of changes in equity in accordance with the guidance issued by SOCPA for companies with mixed ownership in line with the terms of the agreement between the shareholders of the Company.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred income tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Company withholds tax on certain transactions with non-resident parties in the Kingdom of Saudi Arabia, including dividends payment to the foreign shareholder, as required under the Saudi Arabian Income Tax Law.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

2 Summary of significant accounting policies (continued)

2.6 Property, plant and equipment (continued)

Depreciation is calculated on property, plant and equipment so as to allocate its cost, less estimated residual value, on a straight-line basis over the estimated useful lives of the assets. The depreciation expense is recognised in profit or loss in the expense category consistent with the function of the property, plant and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. Major spare parts qualify for recognition as property, plant and equipment when the Company expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use
`

Assets in the course of construction or development are capitalised in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of capital work-in-progress intended by management. Capital work-in-progress is not depreciated.

2.7 Deferred charges

Deferred charges include non-refundable amount paid for obtaining electricity connection and is amortized over a period of five years from the date of obtaining such electricity connection.

2.8 Financial instruments

2.8.1 Financial assets

a) Classification

The Company classifies its financial assets depending on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

b) Recognition and derecognition

At initial recognition, the Company measure financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset. Transactions cost of financial assets carried at fair value through profit or loss are expensed in profit or loss.

The Company derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

c) Measurement

Subsequent measurement of financial assets depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest are measure at amortised cost. A gain or loss on a financial instrument that is subsequently measured at amortized cost and is not part of the hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is calculated using the effective interest rate method.

2.8 Financial instruments (continued)

2.8.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest rate method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss.

2.9 Impairment of financial assets

The Company assesses on a forward looking basis the ECL associated with its financial assets carried at amortized cost. Refer note 12, which details how the Company determines whether there has been a change in credit risk.

For trade receivables and other financial assets, the Company applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables. The amount of the loss is charged to profit or loss.

The loss rates are based on probability of default based on historical trends relating to collections of Company's trade receivables. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant decrease in credit worthiness of the customer, the failure of the customer to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 720 days past due.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in profit or loss.

2.10 Impairment of non-financial assets excluding inventories

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

2 Summary of significant accounting policies (continued)

2.10 Impairment of non-financial assets excluding inventories (continued)

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories comprise all costs of purchase plus other charges incurred thereon. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Spare parts and supplies, not held for sale are carried at cost less any provision for inventory obsolescence. Provision for inventory obsolescence is made considering various factors including age of the inventory items, historic sale trends and expected turnover in future.

2.12 Trade receivables

Trade receivables are amounts due from customers for products sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less allowance for ECL. Subsequent recoveries of amount previously written-off are credited to profit or loss against “General and administrative expenses”.

2.13 Cash and cash equivalents

For the purpose of statement of financial position and presentation in the statement of cash flows, cash and cash equivalents include cash in hand, cash at banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

2.15 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.16 Borrowings

Borrowings are initially recognised at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, long-term borrowings are measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as “other income” or “financial costs”.

2 Summary of significant accounting policies (continued)

2.16 Borrowings (continued)

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

2.17 Employee benefit obligations

The Company operates a single post-employment benefit scheme of defined benefit plan driven by the labour laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plan is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income and transferred to retained earnings in the statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labour law of Kingdom of Saudi Arabia.

3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates and judgments 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 revenue 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 judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve month period are discussed below:

Useful lives of property, plant and equipment

The management determines the estimated useful lives of property, plant and equipment for computing depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates. At year-end, if the useful life increased / decreased by 10% against the current useful life with all other variables held constant, loss for the year would have been Saudi Riyals 0.4 million lower or Saudi Riyals 0.5 million higher.

(All amounts in Saudi Riyals unless otherwise stated)

4 First time adoption of IFRS

As stated in Note 2.1, the accompanying financial statements have been prepared in compliance with IFRS and IFRS 1 and other standards and pronouncements as endorsed by SOCPA in the Kingdom of Saudi Arabia. The last financial statements under the previous GAAP were for the year ended 31 March 2018 and the date of transition to IFRS is 1 April 2017. In preparing the Company's first IFRS financial statements, the Company's opening statement of financial position was prepared as at 1 April 2017. Note 4.5, further explains the principal adjustments made by the Company, as a result of the transition to IFRS, in statements of financial position as at 1 April 2017 and 31 March 2018 and the related statement profit or loss and other comprehensive income for the year ended 31 March 2018. The Company has not availed any voluntary exemptions given in IFRS 1. Mandatory exemptions given in IFRS 1 were not applicable.

4.1 Impact of IFRS transition on the statement of financial position as at 1 April 2017 (date of transition)

	Note	Balances as per previous GAAP as at 1 April 2017	Impact of transition to IFRS	Balances as per IFRS as at 1 April 2017
Assets				
Non-current assets				
Property, plant and equipment		104,520,764	-	104,520,764
Deferred charges		665,385	-	665,385
Total non-current assets		105,186,149	-	105,186,149
Current assets				
Inventories		4,382,655	-	4,382,655
Trade and other receivables		2,621,777	-	2,621,777
Cash and cash equivalents		379,105	-	379,105
Total current assets		7,383,537	-	7,383,537
Total assets		112,569,686	-	112,569,686
Equity and liabilities				
Equity				
Share capital		33,765,625	-	33,765,625
Accumulated deficit	4.5.1	(53,033,865)	88,524	(52,945,341)
Net equity		(19,268,240)	88,524	(19,179,716)
Liabilities				
Non-current liabilities				
Long-term borrowings		7,640,464	-	7,640,464
Long-term loans from shareholders		79,036,162	-	79,036,162
Employee benefit obligations	4.5.1	1,355,454	(88,524)	1,266,930
Total non-current liabilities		88,032,080	(88,524)	87,943,556
Current Liabilities				
Trade and other payables		36,922,190	-	36,922,190
Current portion of long-term borrowings		6,883,656	-	6,883,656
Total current liabilities		43,805,846	-	43,805,846
Total liabilities		131,837,926	(88,524)	131,749,402
Net equity and liabilities		112,569,686	-	112,569,686

(All amounts in Saudi Riyals unless otherwise stated)

4 Impact of transition to IFRS (continued)

4.2 Impact of IFRS transition on the statement of profit or loss and other comprehensive income for the year ended 31 March 2018

	Note	Amounts as per previous GAAP for the year ended 31 March 2018	Impact of transition to IFRS	Amounts as per IFRS for the year ended 31 March 2018
Revenue		34,425,040	-	34,425,040
Cost of revenue		(44,958,222)	-	(44,958,222)
Gross loss		(10,533,182)	-	(10,533,182)
General and administrative expenses	4.5.1	(3,507,899)	(87,861)	(3,595,760)
Other operating income - net		107,768	-	107,768
Operating loss		(13,933,313)	(87,861)	(14,021,174)
Financial costs	4.5.1	(5,148,143)	(78,550)	(5,226,693)
Loss for the year		(19,081,456)	(166,411)	(19,247,867)
Other comprehensive loss				
Items that will not be reclassified to profit or loss				
Remeasurements of employee benefit obligations	4.5.1	-	(22,150)	(22,150)
Total comprehensive loss for the year		(19,081,456)	(188,561)	(19,270,017)

(All amounts in Saudi Riyals unless otherwise stated)

4 Impact of transition to IFRS (continued)

4.3 Impact of IFRS transition on the statement of financial position as at 31 March 2018

	Note	Balances as per previous GAAP as at 31 March 2018	Impact of transition to IFRS	Balances as per IFRS as at 31 March 2018
Assets				
Non-current assets				
Property, plant and equipment		96,003,939	-	96,003,939
Deferred charges		665,385	-	665,385
Total non-current assets		96,669,324	-	96,669,324
Current assets				
Inventories		12,223,870	-	12,223,870
Trade and other receivables		9,332,468	-	9,332,468
Cash and cash equivalents		1,842,826	-	1,842,826
Total current assets		23,399,164	-	23,399,164
Total assets		120,068,488	-	120,068,488
Equity and liabilities				
Equity				
Share capital		33,765,625	-	33,765,625
Accumulated deficit	4.5.1	(72,115,321)	(100,037)	(72,215,358)
Net equity		(38,349,696)	(100,037)	(38,449,733)
Liabilities				
Non-current liabilities				
Long-term borrowings		11,486,378	-	11,486,378
Long-term loans from shareholders		79,036,162	-	79,036,162
Employee benefit obligations	4.5.1	1,542,393	100,037	1,642,430
Total non-current liabilities		92,064,933	100,037	92,164,970
Current Liabilities				
Trade and other payables		66,353,251	-	66,353,251
Total liabilities		158,418,184	100,037	158,518,221
Net equity and liabilities		120,068,488	-	120,068,488

(All amounts in Saudi Riyals unless otherwise stated)

4 Impact of transition to IFRS (continued)

4.4 Impact of IFRS transition on the statement of cash flows for the year ended 31 March 2019

The transition from SOCPA to IFRS has not had a material impact on the statement of cash flows.

4.5 Explanations of IFRS adjustments

4.5.1 Employee benefit obligations

In accordance with the previous GAAP, the Company recognized liability related to its employee benefit obligations as current value of vested benefits to which the employee is entitled. However, as at the date of transition to IFRS, the Company has re-measured the defined benefit liability in accordance with the projected unit credit method, as required by IAS -19 “Employee benefits”.

As at 1 April 2017, the above mentioned adjustment has resulted in a decrease of employee benefit obligations (liability) by Saudi Riyals 0.08 million with corresponding decrease in accumulated deficit of the Company by Saudi Riyals 0.08 million.

As at 31 March 2018, the above mentioned adjustment has resulted in an increase of employee benefit obligations (liability) by Saudi Riyals 0.1 million with corresponding increase in accumulated deficit of the Company by Saudi Riyals 0.1 million. The above mentioned adjustment has resulted in an increase in general and administrative expenses by Saudi Riyals 0.08 million, increase in finance cost by Saudi Riyals 0.08 million with a corresponding increase in loss for the year ended 31 March 2018 and increase in other comprehensive loss of Saudi Riyals 0.2 million for the year ended 31 March 2018.

5 Revenue

	2019	**2018**
Revenue - point in time	**46,856,678**	34,425,040

6 Cost of revenue

	Note	**2019**	**2018**
Cost of materials		**27,473,043**	17,863,737
Sub-contractors costs		**4,081,167**	4,686,642
Salaries and benefits		**8,510,625**	7,141,589
Depreciation	10	**8,252,366**	8,292,015
Equipment rental		**2,939,580**	2,326,240
Utilities		**1,855,776**	2,001,590
Provision (reversal) for inventory obsolescence	11	**73,817**	(65,516)
Other		**3,011,777**	2,711,925
		56,198,151	44,958,222

(All amounts in Saudi Riyals unless otherwise stated)

7 General and administrative expenses

	Note	2019	2018
Salaries and benefits		**2,439,155**	2,240,521
Depreciation	10	**203,269**	229,889
Professional fee		**247,678**	53,175
Repair		**134,745**	68,843
Rent and utilities		**452,964**	453,661
License fee		**114,471**	138,550
Cleaning charges		**267,200**	104,800
Utilities		**66,027**	78,804
Allowance for ECL	12	**243,251**	-
Other		**580,975**	227,517
		4,749,735	3,595,760

8 Other operating income - net

	2019	2018
Scrap sales	**174,730**	94,985
Other	**550,246**	12,783
	724,976	107,768

9 Financial cost

	Note	2019	2018
Interest expense on long-term borrowings		**468,290**	520,753
Interest expense on loan from shareholders		**4,149,399**	4,149,399
Unwinding of commitment fees of SIDF	16	**-**	462,258
Other		**156,093**	94,283
		4,773,782	5,226,693

10 Property, plant and equipment

	1 April 2018	Additions	Disposals/ Transfer	31 March 2019
2019				
Cost				
Buildings and land improvements	24,290,605	-	-	**24,290,605**
Plant and machinery	127,984,677	59,018	-	**128,043,695**
Furniture, fixtures and office equipment	509,361	31,720	-	**541,081**
Vehicles	125,495	-	(125,495)	**-**
	152,910,138	90,738	(125,495)	**152,875,381**
Accumulated depreciation				
Buildings and land improvements	(8,309,069)	(1,214,530)	-	**(9,523,599)**
Plant and machinery	(47,992,749)	(7,209,920)	-	**(55,202,669)**
Furniture, fixtures and office equipment	(484,589)	(25,482)	-	**(510,071)**
Vehicles	(119,792)	(5,703)	125,495	**-**
	(56,906,199)	(8,455,635)	125,495	**(65,236,339)**
	96,003,939			**87,639,042**

(All amounts in Saudi Riyals unless otherwise stated)

10 Property, plant and equipment (continued)

	1 April 2017	Additions	Disposals/ Transfer	31 March 2018
2018				
Cost				
Buildings and land improvements	24,290,605	-	-	24,290,605
Plant and machinery	127,990,508	-	(5,831)	127,984,677
Furniture, fixtures and office equipment	541,803	9,400	(41,842)	509,361
Vehicles	125,495	-	-	125,495
	152,948,411	9,400	(47,673)	152,910,138
Accumulated depreciation				
Buildings and land improvements	(7,094,539)	(1,214,530)	-	(8,309,069)
Plant and machinery	(40,746,993)	(7,251,587)	5,831	(47,992,749)
Furniture, fixtures and office equipment	(484,576)	(37,534)	37,521	(484,589)
Vehicles	(101,539)	(18,253)	-	(119,792)
	(48,427,647)	(8,521,904)	43,352	(56,906,199)
	104,520,764			96,003,939

(a) Buildings and plant and machinery of the Company have been constructed on land parcels leased under various renewable operating lease agreements at annual rent of Saudi Riyals 0.3 million (2018: Saudi Riyals 0.3 million) with terms ranging from one to twelve years.

(b) Depreciation is calculated on straight line basis over the following estimated useful lives of the assets:

	Number of years
• Buildings and land improvements	10 - 20
• Plant and machinery	2 - 20
• Furniture, fixtures and office equipment	2 - 5
• Vehicles	3 - 5

11 Inventories

	31 March 2019	31 March 2018	1 April 2017
Consumables	**7,841,451**	3,094,060	1,080,797
Finished products	**1,408,893**	6,011,447	115,633
Work-in-progress	**100,721**	92,617	133,017
Spare parts and supplies, not held for sale	**4,125,597**	4,070,582	4,163,560
	13,476,662	13,268,706	5,493,007
Less: provision for inventory obsolescence	**(1,118,653)**	(1,044,836)	(1,110,352)
	12,358,009	12,223,870	4,382,655

Movement in provision for inventory obsolescence is as follows:

	31 March 2019	31 March 2018
1 April	**1,044,836**	1,110,352
Provision (reversal)	**73,817**	(65,516)
31 March	**1,118,653**	1,044,836

12 Trade and other receivables

	Note	31 March 2019	31 March 2018	1 April 2017
Trade receivable:				
Trade		**1,091,113**	7,160,683	1,246,267
ECL Allowance		**(243,251)**	-	-
		847,862	7,160,683	1,246,267
Related parties	20	**53,474**	53,474	297,760
Prepaid expenses		**622,301**	883,581	1,278,897
Advances to suppliers		**999,916**	1,585,069	139,207
Advances to employees		**155,744**	136,145	132,621
Other		**346,947**	178,901	192,410
		3,026,244	9,997,853	3,287,162
Less: non-current portion of prepaid expenses		**-**	(285,165)	(665,385)
		3,026,244	9,712,688	2,621,777

(a) Movement in ECL allowance is as follows:

	2019	2018
1 April	**-**	-
ECL allowance	**243,251**	-
31 March	**243,251**	-

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(b) The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been computed based on shared credit risk characteristics and the days past due.

(c) The expected loss rates are based on the collection profiles of sales over a period of 48 month before 31 March 2019, 31 March 2018 and 1 April 2017 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

(d) The carrying amounts of the Company's trade and other receivables are denominated in Saudi Riyals

(e) The other classes within trade and other receivable do not contain impaired assets. The maximum exposure to the credit risk at the reporting date is immaterial as per the ECL model based on payment profile.

(f) The Company does not hold any collateral as security.

13 Cash and cash equivalents

	31 March 2019	31 March 2018	1 April 2017
Cash in hand	**49,916**	8,567	12,974
Cash at bank	**199,208**	1,834,259	366,131
	249,124	1,842,826	379,105

14 Share capital

The share capital of the Company as of 31 March 2019 and 2018 comprised of 33,765,625 shares stated at Saudi Riyals 1 per share owned as follows:

	Country of incorporation	Shareholding percentage 2019	2018
Welspun Mauritius Holdings Ltd.	Mauritius	**50.01**	50.01
Arabian Pipeline Projects Company	Saudi Arabia	**45.00**	45.00
Mohawareen Industrial Services	Saudi Arabia	**4.99**	4.99
		100.00	100.00

15 Statutory reserve

In accordance with the Company's Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the profit for the year to a statutory reserve until such reserve equals at least 30% of its share capital.

16 Long-term borrowings

	31 March 2019	31 March 2018	1 April 2017
Principal amount	**3,777,000**	12,000,000	15,500,000
Less: unamortized transaction costs	**(513,622)**	(513,622)	(975,880)
	3,263,378	11,486,378	14,524,120
Long-term borrowings are presented as follows:			
Current maturity under current liabilities	**3,263,378**	-	6,883,656
Long-term borrowings	**-**	11,486,378	7,640,464
	3,263,378	11,486,378	14,524,120

Movements in unamortized transaction costs are as follows:

	2019	2018
1 April	**513,622**	975,880
Less: amortization	**-**	(462,258)
31 March	**513,622**	513,622

This represents loan obtained by the Company from Saudi Industrial and Development Fund ('SIDF') of Saudi Riyals 40.0 million to finance the construction of the Company's plant facilities. The loan is denominated in Saudi Riyals.

(All amounts in Saudi Riyals unless otherwise stated)

16 Long-term borrowings (continued)

During 2018, the Company rescheduled the loan and as per the rescheduling agreement, the loan is payable in two un-equal semi-annual installments which are due in 2020.The covenants of the loan agreement require the Company to maintain certain level of financial conditions, place limitations on dividend distributions and on annual capital and rental expenditures and certain other matters. As at 31 March 2019, the Company was not in compliance with loan covenant related to rental expenditures and other covenants related to maintenance of other financial ratios as per the agreement with SIDF. However, the Company has obtained a waiver from SIDF in respect of such non-compliance before the year-end. The loan is secured by corporate guarantees provided by the shareholders.

17 Employee benefit obligations

17.1 General description of the plan

The Company operates a defined benefit plan in line with the Labour Law requirement in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labour Laws of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment.

	2019	**2018**
1 April	**1,642,430**	1,266,930
Current service cost	**300,810**	274,800
Interest expense	**80,310**	78,550
Payments	**(72,440)**	-
Remeasurements	**263,810**	22,150
31 March	**2,214,920**	1,642,430

17.2 Amounts recognised in the statement of comprehensive income

The amounts recognised in the statement of comprehensive income related to employee benefit obligations are as follows:

	2019	**2018**
Current service cost	**300,810**	274,800
Interest expense	**80,310**	78,550
Total amount recognised in profit or loss	**381,120**	353,350
Remeasurements		
Gain from change in financial assumptions	**209,390**	243,200
Experience losses	**54,420**	(221,050)
Total amount recognised in other comprehensive income	**263,810**	22,150

(All amounts in Saudi Riyals unless otherwise stated)

17 Employee benefit obligations (continued)

17.3 Key actuarial assumptions

	2019	2018
Discount rate	**4.25%**	5.0%
Salary growth rate	**3.0%**	3.0%

17.4 Sensitivity analysis for actuarial assumptions

	Change in assumption		Impact on employee benefit obligations	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	1%	(272,990)	329,710
Salary growth rate	1%	1%	330,630	(278,500)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

18 Trade and other payables

	Note	31 March 2019	31 March 2018	1 April 2017
Trade payables		**7,415,175**	6,469,922	3,962,610
Related parties	20	**29,880,592**	23,962,061	3,191,944
		37,295,767	30,431,983	7,154,554
Accrued expenses		**1,115,915**	2,549,043	736,065
Accrued financial charges		**36,506,923**	32,357,524	28,477,651
Salaries and benefits		**647,224**	618,532	523,164
Advances from customers		**45,687**	396,169	30,756
		75,611,516	66,353,251	36,922,190

19 Income tax and zakat matters

19.1 Components of zakat base attributable to Saudi shareholders

	2019	2018
Net equity at beginning of year	**(19,221,021)**	(9,632,193)
Provisions at beginning of year	**1,203,472**	1,232,656
Adjusted net loss for the year	**(6,824,056)**	(8,611,279)
Borrowings	**51,631,366**	45,252,217
Property, plant and equipment, as adjusted	**(45,681,969)**	(48,826,460)
Other	**(2,062,386)**	16,944,833
Approximate zakat base	**(20,954,594)**	(3,640,226)

Zakat is payable at 2.5% of the higher of the approximate zakat base and adjusted net income attributable to the Saudi shareholders. No provision for zakat has been recorded for years ended 31 March 2019 and 2018 due to negative zakat base and adjusted net loss for such years.

(All amounts in Saudi Riyals unless otherwise stated)

19 Income tax and zakat matters (continued)

19.2 Temporary differences

	2019	2018
Loss before zakat and income tax	**(18,140,014)**	(19,081,457)
- Depreciation	**3,458,006**	1,602,008
- Employee termination benefits	**1,069,392**	298,885
- Other	**(38,228)**	-
Adjusted net loss for the year	**(13,650,844)**	(17,180,564)

19.3 Status of certificates and final assessments

The Company has obtained final assessments from the GAZT for the years through 2010. The assessments for the years from 2011 through 2018 are currently under review by the GAZT. The Company has obtained zakat and income tax certificates for the years through 2018.

19.4 Deferred tax assets

As at 31 March 2019 and 2018, the Company has not recognized deferred tax assets arising out of temporary differences and carry forward losses considering the uncertainty surrounding the realization of such assets.

20 Related party transactions and balances

The Company is controlled by Welspun Corp Limited (the “Ultimate Parent Company”) which indirectly owns 50.01% of the Company's shares.

Related parties comprise the shareholders, the Ultimate Parent Company, affiliated companies in the group which are directly or indirectly controlled by the Ultimate Parent Company (“Associated Companies”), directors and key management personnel. Related parties also include business entities in which shareholders other than the Ultimate Parent Company have an interest (“other related parties”).

(a) Following are the significant transactions entered into by the Company:

Nature of transactions and relationship	2019	2018
Cost charged by other related parties	**43,775**	90,000
Cost charged by the shareholders	**9,980**	9,980
Financial charges charged by the shareholders	**4,149,399**	4,149,399
Purchases and other related services from the Ultimate Parent Company	**466,951**	118,029
Sales to the Ultimate Parent Company	**600,759**	-
Purchases and other related services from the associated companies	**6,490,633**	6,677,147
Cost charged to associated companies	**253,249**	-
Sales to associated company	**14,317,268**	25,762,927

(b) Key management personnel compensation:

	2019	2018
Salaries and other short-term employee benefits	**85,881**	267,107
Post employment benefits	**3,301**	-
	89,182	267,107

(All amounts in Saudi Riyals unless otherwise stated)

20 Related party transactions and balances (continued)

(c) Loans from shareholders

These represent funding obtained from shareholders which carry financial charges at prevailing market rates. These loans are due for repayment in 2020.

(d) Outstanding balances arising from sales / purchases of goods and services :

(i) Due from related parties

	31 March 2019	**31 March 2018**	**1 April 2017**
Aziz European Pipe Factory	**53,474**	53,474	53,474
Arabian Pipeline projects Company	**-**	-	237,708
Mohawareen Industrial Services	**-**	-	6,578
	53,474	53,474	297,760

(ii) Due to related parties

	31 March 2019	**31 March 2018**	**1 April 2017**
Welspun Middle East Pipes Company	**27,492,305**	22,089,521	1,540,861
Welspun Corp. Ltd.	**1,035,632**	573,643	477,405
Aziz Company for Contracting and Industrial Investment	**278,528**	278,528	229,728
Vision International Investment Company	**278,925**	235,150	193,950
Arabian Pipeline Projects Company	**531,817**	531,817	500,000
Welspun Mauritus Holding Ltd	**250,000**	250,000	250,000
Mohawareen Industrial Services	**13,385**	3,402	-
	29,880,592	23,962,061	3,191,944

21 Financial risk management

21.1 Financial risk factors

The Company's activities expose it to a variety of financial risks including the effects of changes in market risk (including currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by the management under policies approved by the board of directors.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Senior management has overall responsibility for the establishment and oversight of the Company's risk management framework and is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

21 Financial risk management (continued)

21.1 Financial risk factors (continued)

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

(a) Market risk

(i) Foreign exchange risk

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 primarily in Saudi Riyals and United States dollars. Since Saudi Riyal is pegged to United States dollars, management of the Company believes that the currency risk for the financial instruments is not significant.

(ii) Fair value and cash flow interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company borrows at interest rates on commercial terms.

Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. During 2019 and 2018, the Company's borrowings were denominated in Saudi Riyals.

The long-term borrowings from commercial banks carry variable rates of interest. The Company analyses its interest rate exposure on a regular basis and reassesses the source of borrowings and renegotiates interest rates at terms favourable to the Company. At 31 March 2019, if the interest rate were to shift by 1%, there would be a maximum increase or decrease in the interest expense by Saudi Riyals 0.03 million (2018: Saudi Riyals 0.11 million).

(iii) Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company's financial assets and liabilities are not exposed to price risk.

(b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk in respect of:

- Payment of trade receivables; and
- Contractual cash flows related to other financial assets carried at amortised costs.

Trade receivables:

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. At 31 March 2019, 99% of trade receivables were due from a single customer (2018: 99% of trade receivables was due from a customer). Management believes that this concentration of credit risk is mitigated as such receivable is from a quasi-government customer having an established track record of timely payments.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivable. The Company has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of receivables.

21 Financial risk management (continued)

21.1 Financial risk factors (continued)

The Company establishes ECL allowance that represents its estimate of potential losses in respect of trade and other receivables. The main components of this loss are a specific loss component that relates to individual exposures and a collective loss component established for similar assets in respect of any potential losses that may have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry in which customers operate, has less of an influence on credit risk.

Credit risk on related parties is considered minimal as management monitors and reconciles amounts due from related parties on a regular basis and recoverability is not considered to be doubtful. Management does not expect any losses from non-performance by such related parties.

Other financial assets carried at amortised costs:

Other financial assets at amortised cost include other receivables. The instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Management consider 'low credit risk' for other receivables. Accordingly, no ECL allowance was made against other receivables.

Cash at banks:

For banks, parties generally with a minimum rating of P-1 are accepted. The stated rating is as per the global bank ratings by Moody's Investors Service. Management does not expect any losses from non-performance by these counterparties.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Company has access to credit facilities. Also see note 1.

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal ratio targets.

(All amounts in Saudi Riyals unless otherwise stated)

21 Financial risk management (continued)

21.1 Financial risk factors (continued)

The table below analyses the Company's financial liabilities into the relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	Less than one year	1 to 2 Years	Total
2019			
Long-term borrowings	3,777,000	-	3,777,000
Long-term loans from shareholders	-	79,036,162	79,036,162
Future interest on long-term loans from shareholders	4,160,767	3,118,680	7,279,447
Trade and other payables	75,565,829	-	75,565,829
	83,503,596	82,154,842	165,658,438

	Less than one year	1 to 2 Years	Total
2018			
Long-term borrowings	12,000,000	-	12,000,000
Long-term loans from shareholders	-	79,036,162	79,036,162
Future interest on long-term loans from shareholders	4,149,399	7,279,447	11,428,846
Trade and other payables	65,957,082	-	65,957,082
	82,106,481	86,315,609	168,422,090

21.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the statement of financial position, less cash and cash equivalent. Total capital is calculated as 'Share Capital' as shown in the statement of financial position plus net debt.

The gearing ratios at 31 March were as follows:

	2019	2018
Total borrowings	**82,299,540**	90,522,540
Less: cash and cash equivalents	**(249,124)**	(1,842,826)
Net debt	**82,050,416**	88,679,714
Share capital	**33,765,625**	33,765,625
Total capital	**115,816,041**	122,445,339
Gearing ratio	**71%**	72%

(All amounts in Saudi Riyals unless otherwise stated)

21 Financial risk management (continued)

21.3 Net debt reconciliation

The net debt of the Company is as follows:

	2019	2018
Cash and cash equivalents	**249,124**	1,842,826
Long-term loans from shareholders	**(79,036,162)**	(79,036,162)
Long-term borrowings - payable within one year	**(3,263,378)**	-
Long-term borrowings - payables after one year	**-**	(11,486,378)
Net debt	**(82,050,416)**	(88,679,714)

The Company's net debt reconciliation is as follows

	Cash and cash equivalents	Long-term loans from shareholders	Long-term borrowings - repayable within one year	Long-term borrowings - repayable after one year	Total
1 April 2017	379,105	(79,036,162)	(6,883,656)	(7,640,464)	(93,181,177)
Cash flows	1,463,721	-	3,500,000	-	4,963,721
Transfer	-	-	3,383,656	(3,383,656)	-
Other	-	-	-	(462,258)	(462,258)
31 March 2018	1,842,826	(79,036,162)	-	(11,486,378)	(88,679,714)
Cash flows	(1,593,702)	-	8,223,000	-	6,629,298
Transfer	-	-	(11,486,378)	11,486,378	-
31 March 2019	**249,124**	**(79,036,162)**	**(3,263,378)**	**-**	**(82,050,416)**

(All amounts in Saudi Riyals unless otherwise stated)

22 Categories of financial instruments

The accounting policies for financial instruments have been applied to the line items below:

	Financial assets carried at amortised cost	
31 March	**2019**	**2018**
Assets as per statement of financial position		
Trade and other receivables	**1,362,027**	7,350,302
Cash and cash equivalents	**249,124**	1,842,826
Total	**1,611,151**	9,193,128

	Financial liabilities carried at amortised cost	
31 March	**2019**	**2018**
Liabilities as per statement of financial position		
Long-term borrowings	**-**	11,486,378
Long-term loans from shareholders	**79,036,162**	79,036,162
Current portion of long-term borrowings	**3,263,378**	-
Trade and other payables	**75,565,829**	65,957,082
Total	**157,865,369**	156,479,622

For the purpose of the financial instruments disclosure, non-financial assets and non-financial liabilities amounting to Saudi Riyals 1.4 million and Saudi Riyals 0.04 million respectively (2018: Saudi Riyals 2.0 million Saudi Riyals 0.4 million respectively) have been excluded from trade and other receivables and trade and other payables, respectively.

23 Operating leases

The Company has operating leases for land, office premises and employees' housing which generally have terms ranging from one to twelve years. Rental expense under such leases amounted to Saudi Riyals 0.9 million (2018: Saudi Riyals 0.9 million). Also see note 10.

Commitments for minimum lease payments under non-cancelable operating leases as of March 31 are as follows:

	2019	**2018**
Years ending March 31:		
Within one year	**162,885**	163,099
Within two to five years	**1,500,000**	1,500,000
After five years	**1,800,000**	2,100,000
	3,462,885	3,763,099

24 Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The Company has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements. Management regularly reviews significant unobservable inputs and valuation adjustments.

As at 31 March 2019 and 2018, the fair values of the Company's financial instruments are estimated to approximate their carrying values since the financial instruments which do not bear interest are short term in nature and are expected to be realized at their current carrying values within twelve months from the date of statement of financial position, while the financial instruments which bear interest are at variable interest rates, adjusted in line with prevailing market rates.

WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020
AND INDEPENDENT AUDITOR'S REPORT

WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A limited liability company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

Independent auditor's report to the shareholders of Welspun Middle East Pipes Coating Company

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Welspun Middle East Pipes Coating Company (the "Company") as at 31 March 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

What we have audited

The Company's financial statements comprise:

- the statement of profit or loss and other comprehensive income for the year ended 31 March 2020;
- the statement of financial position as at 31 March 2020;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter

We draw attention to Notes 1 and 2.1.2 to the accompanying financial statements. Subsequent to 31 March 2020, the Company's shareholders have signed an agreement to merge the Company with another Saudi Arabian entity owned by the Company's shareholders in the same shareholding proportion. Accordingly, the accompanying financial statements are prepared on a non-going concern basis. Our opinion is not modified in respect of this matter.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's Articles of Association, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, i.e. Board of Directors, are responsible for overseeing the Company's financial reporting process.

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Independent auditor's report to the shareholders of Welspun Middle East Pipes Coating Company (continued)

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 International Standards on Auditing, that are 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, that are endorsed in the Kingdom of Saudi Arabia we exercise professional judgment and maintain professional scepticism 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.
- 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.

PricewaterhouseCoopers

Ali H. Al Basri
License Number 409

17 June 2020

WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A limited liability company)
Statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 March 2020	2019
Revenue	4	**122,117,651**	47,031,408
Cost of revenue	5	**(99,403,440)**	(56,198,151)
Gross profit (loss)		**22,714,211**	(9,166,743)
General and administrative expenses	6	**(4,160,608)**	(4,506,484)
Expected credit loss allowance	10	**-**	(243,251)
Other operating income - net	7	**115,937**	550,246
Operating profit (loss)		**18,669,540**	(13,366,232)
Financial costs	8	**(4,704,872)**	(4,773,782)
Profit (loss) before zakat and income tax		**13,964,668**	(18,140,014)
Zakat expense	20	**(179,546)**	-
Income tax expense	20	**(1,387,890)**	-
Profit (loss) for the year		**12,397,232**	(18,140,014)
Other comprehensive loss			
Item that will not be reclassified to profit or loss			
Remeasurements of employee benefit obligations	19	**(315,790)**	(263,810)
Total comprehensive profit (loss) for the year		**12,081,442**	(18,403,824)

The accompanying notes are an integral part of these financial statements.

WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A limited liability company)
Statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 March	
		2020	**2019**
Assets			
Non-current assets			
Property, plant and equipment	12	-	87,639,042
Current assets			
Cash and cash equivalents	9	**1,660,640**	249,124
Trade and other receivables	10	**23,776,670**	4,535,858
Inventories	11	**17,033,696**	10,848,395
Property, plant and equipment	12	**79,735,163**	-
Right-of-use assets	13	**2,545,696**	-
Total current assets	1	**124,751,865**	15,633,377
Total assets	1	**124,751,865**	103,272,419
Equity and liabilities			
Equity			
Share capital	14	**33,765,625**	33,765,625
Accumulated losses		**(78,537,740)**	(90,619,182)
Total equity	1	**(44,772,115)**	(56,853,557)
Liabilities			
Non-current liabilities			
Long-term loans from shareholders	21	-	79,036,162
Employee benefit obligations	19	-	2,214,920
Total non-current liabilities		-	81,251,082
Current liabilities			
Long-term borrowings	16	-	3,263,378
Long-term loans from shareholders	21	**49,036,163**	-
Trade and other payables	17	**113,517,393**	75,611,516
Employee benefit obligations	19	**2,804,250**	-
Zakat and income tax payable	20	**1,567,436**	-
Lease liabilities	18	**2,598,738**	-
Total current liabilities	1	**169,523,980**	78,874,894
Total liabilities	1	**169,523,980**	160,125,976
Total equity and liabilities		**124,751,865**	103,272,419

These financial statements including accompanying notes were authorized for issue by the Company's Board of Directors on 17 June 2020 and signed on their behalf by:

WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A limited liability company)
Statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Welspun Mauritius Holdings Ltd.	Mohawareen Industrial Services	Arabian Pipeline Projects Company	Aziz Company for Contracting & Industrial Investment	Vision International Investment Co.	Total
Share capital							
1 April 2018 and 31 March 2019		16,886,189	1,684,905	15,194,531	-	-	33,765,625
Change in shareholding	14	-	-	(15,194,531)	9,572,555	5,621,976	-
31 March 2020		**16,886,189**	**1,684,905**	-	**9,572,555**	**5,621,976**	**33,765,625**
Accumulated losses							
1 April 2018		(36,117,637)	(3,603,273)	(32,494,448)	-	-	(72,215,358)
Loss for the year		(9,071,821)	(905,187)	(8,163,006)	-	-	(18,140,014)
Other comprehensive loss for the year		(131,931)	(13,164)	(118,715)	-	-	(263,810)
31 March 2019		(45,321,389)	(4,521,624)	(40,776,169)	-	-	(90,619,182)
Profit before zakat and income tax for the period from 1 April 2019 to 31 October 2019		2,974,118	296,758	2,676,171	-	-	**5,947,047**
Zakat and income tax expense for the period from 1 April 2019 to 31 October 2019	20	(594,824)	(7,432)	(66,891)	-	-	**(669,147)**
Other comprehensive income for the period from 1 April 2019 to 31 October 2019		-	-	-	-	-	-
31 October 2019		(42,942,095)	(4,232,298)	(38,166,889)	-	-	**(85,341,282)**
Change in shareholding	14	-	-	38,166,889	(24,045,140)	(14,121,749)	-

(continued)

WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A limited liability company)
Statement of changes in equity (continued)
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Welspun Mauritius Holdings Ltd.	Mohawareen Industrial Services	Arabian Pipeline Projects Company	Aziz Company for Contracting & Industrial Investment	Vision International Investment Co.	Total
Accumulated losses (continued)							
Profit before zakat and income tax for the period from 1 November 2019 to 31 March 2020		4,009,612	400,079	-	2,285,022	1,322,908	**8,017,621**
Zakat and income tax expense for the period from 1 November 2019 to 31 March 2020	20	(793,066)	(10,522)	-	(59,977)	(34,724)	**(898,289)**
Other comprehensive income for the period from 1 November 2019 to 31 March 2020		(157,927)	(15,758)	-	(90,000)	(52,105)	**(315,790)**
31 March 2020		(39,883,476)	(3,858,499)	-	(21,910,095)	(12,885,670)	**(78,537,740)**
Total equity							
31 March 2020		**(22,997,287)**	**(2,173,594)**	-	**(12,337,540)**	**(7,263,694)**	**(44,772,115)**
31 March 2019		(28,435,200)	(2,836,719)	(25,581,638)	-	-	(56,853,557)

The accompanying notes are an integral part of these financial statements.

WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A limited liability company)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 March 2020	2019
Cash flows from operating activities			
Profit (loss) before zakat and income tax		**13,964,668**	(18,140,014)
Adjustments for:			
Depreciation	12, 13	**8,522,654**	8,455,635
Gain from disposal of property and equipment		**-**	(38,228)
(Reversal) provision for inventory obsolescence	11	**(39,307)**	73,817
Expected credit loss allowance	10	**-**	243,251
Financial costs	8	**4,704,872**	4,773,782
Employee benefit obligations	19	**441,200**	381,120
Changes in operating assets and liabilities:			
Increase in inventories		**(6,145,994)**	(4,802,406)
(Increase) decrease in trade and other receivables		**(19,240,812)**	11,322,808
Increase in trade and other payables		**73,770,964**	5,108,866
Cash generated from operations		**75,978,245**	7,378,631
Employee benefit obligations paid	19	**(167,660)**	(72,440)
Financial costs paid		**(40,569,959)**	(624,383)
Net cash inflow from operating activities		**35,240,626**	6,681,808
Cash flows from investing activities			
Payments for purchase of property and equipment	12	**(387,348)**	(90,738)
Proceeds from disposal of property and equipment		**-**	38,228
Net cash outflow from investing activities		**(387,348)**	(52,510)
Cash flows from financing activities			
Repayment of long-term borrowings	16	**(3,263,378)**	(8,223,000)
Repayment of long-term loans from shareholders		**(29,999,999)**	-
Repayment of lease liabilities	18	**(178,385)**	-
Net cash outflow from financing activities		**(33,441,762)**	(8,223,000)
Net change in cash and cash equivalents		**1,411,516**	(1,593,702)
Cash and cash equivalents at beginning of year		**249,124**	1,842,826
Cash and cash equivalents at end of year	9	**1,660,640**	249,124

Non-cash investing and financing activities:
Recognition of right-of-use asset and corresponding lease liabilities (See Notes 2.1.3, 13 and 18)

The accompanying notes are an integral part of these financial statements.

1 General information

Welspun Middle East Pipes Coating Company (the "Company") is engaged in providing spiral pipes coating services.

The Company is a limited liability company licensed under foreign investment license number 121031119001 issued by the Ministry of Investment (previously the 'Saudi Arabian General Investment Authority') on 22 Rajab 1431 H (4 July 2010) operating under commercial registration number 2050071524 issued in Dammam on 22 Rajab 1431 H (4 July 2010). The registered address of the Company is P.O. Box 12943, Dammam 31483, Kingdom of Saudi Arabia.

The Company's Board of Directors ("BoDs") in their meeting held on 24 November 2019 resolved to merge the Company with Welspun Middle East Pipes Company ("WMEP"), a limited liability company registered in the Kingdom of Saudi Arabia owned by the Company's shareholders in the same shareholding proportion ("common control").

Subsequent to 31 March 2020 and based on the BoDs recommendation, the Company's shareholders signed an agreement on 14 May 2020, whereby it was agreed to merge the Company's operations and all its assets, rights, liabilities and obligations with WMEP. Under the terms of the above-mentioned agreements and as both the Company and WMEP are under common control, there is no consideration to be paid and the carrying values of assets and liabilities of the Company will be transferred to WMEP on the effective date of merger. The legal formalities relating to the merger activities were in process as of the date of the approval of these financial statements.

Also as at 31 March 2020, the Company has shareholders' deficiency of Saudi Riyals 44.8 million and its current liabilities exceeded its current assets by Saudi Riyals 44.8 million as of that date. The Company's shareholders have resolved to provide adequate financial support to the Company to meet its obligations as they become due and to continue the Company's operations till the finalization of its merger with WMEP as explained in the preceding paragraphs.

2 Summary of significant accounting policies

The principal accounting policies applied for the preparation of financial statements of the Company are set out below. The accounting policies have been consistently applied to all the years presented, except for the policy on leases which was changed due to the adoption of new accounting standard IFRS 16 'Leases' ("IFRS 16") as explained in Note 2.1.3.

2.1 Basis of preparation

2.1.1 Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia ("IFRS"), and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

2.1.2 Historical cost convention

These financial statements are prepared on a non-going concern basis (see Note 1) using the historical cost convention except where IFRS requires other measurement basis as disclosed in the relevant accounting policies.

2 Summary of significant accounting policies (continued)

2.1.3 New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their reporting periods commencing on or after 1 April 2019.

Amendment to IFRS 9, 'Financial instruments', on modification of financial liabilities

This amendment applies when a financial liability, measured at amortised cost, is modified without this resulting in a de-recognition, a gain or loss should be recognised immediately in the profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39. No material impact was identified.

Amendments to IAS 19 - Employee benefits on plan amendment, curtailment or settlement

These amendments require an entity to:

- use updated assumptions to determine the current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement and
- recognise in profit or loss as part of past service cost, a gain or a loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

No material impact was identified.

International Financial Reporting Interpretations Committee ("IFRIC") 23 – Uncertainty over income tax treatments

This IFRIC clarifies how the recognition and measurement requirements of IAS 12 – Income taxes, are to apply where there is uncertainty over income tax treatments. The IFRIC had clarified previously that IAS 12, not "IAS 37 – Provisions, contingent liabilities and contingent assets", applies to accounting for uncertain income tax treatments.

IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority.

IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. No material impact was identified.

(All amounts in Saudi Riyals unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

IFRS 16

a) Transition approach and impact

The Company has adopted IFRS 16 from 1 April 2019, using the simplified transition approach, and has not restated comparatives for 31 March 2019 reporting period, as permitted under the specific transitional provisions in IFRS 16. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the statement of financial position on 1 April 2019.

On adoption of IFRS 16, the Company recognized lease liability in relation to leases which had previously been classified as operating lease under the principles of IAS 17 'Leases'. This liability was measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of 1 April 2019. The equal and opposite side of the lease liability calculated, including prepaid lease rentals as of 1 April 2019, are the right-of-use asset. Therefore, there is no adjustment against opening retained earnings as at the transition date i.e. 1 April 2019. The weighted average incremental borrowing rate applied to the lease liability on 1 April 2019 was 4.50%.

The adoption of IFRS 16 has resulted in recognition of right-of-use assets and lease liabilities of Saudi Riyals 2.7 million as of 1 April 2019. In applying IFRS 16 for the first time, the Company has not used any practical expedient permitted by the standard.

b) Reconciliation of operating lease commitments disclosed as at 31 March 2019 and lease liabilities recognized as at 1 April 2019:

	Saudi Riyals
Operating lease commitments disclosed as at 31 March 2019	**3,162,885**
Impact of discounting using the Company's incremental borrowing rate at the date of initial application	**(822,877)**
Add: Adjustment as a result of assessment of lease contract under IFRS	**437,115**
Lease liabilities recognized as at 1 April 2019	**2,777,123**
Of which are:	
Current portion of lease liabilities	**178,385**
Non-current portion of lease liabilities	**2,598,738**
	2,777,123

2 Summary of significant accounting policies (continued)

2.1.4 Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2020 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact in the current or future reporting periods and on foreseeable future transactions.

2.2 Revenue

Revenue is measured at the fair value of the consideration received or receivable net of returns, allowances and trade discounts for the rendering of the services in the ordinary course of the Company's activities.

The Company provides coating services on pipes provided by the customers. The Company recognizes revenue at a point in time when control of such coated pipes is transferred back to the customer i.e. when the coated pipes are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the services.

The costs of coating services related to such pipes is added to the carrying amount of asset recognised from cost to fulfil a contract. Such asset is amortised in accordance with the terms of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue.

2.3 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in "Saudi Riyals", which is the Company's presentation as well as functional currency.

(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 other than Saudi Riyals are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

2.4 Zakat and taxes

In accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"), the Company is subject to zakat attributable to the Saudi shareholding and income tax attributable to the foreign shareholding in the Company. Provisions for zakat and income tax are charged to profit or loss for the year. Additional amounts, if any, are accounted for when determined to be required for payment. Further, the amounts for zakat and income tax expense for the year are presented in the statement of changes in equity in accordance with the guidance issued by SOCPA for companies with mixed ownership in line with the terms of the agreement between the shareholders of the Company.

2 Summary of significant accounting policies (continued)

2.4 Zakat and taxes (continued)

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred income tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Company withholds tax on certain transactions with non-resident parties in the Kingdom of Saudi Arabia, including dividends payment to the foreign shareholder, as required under the Saudi Arabian Income Tax Law.

2.5 Cash and cash equivalents

For the purpose of statement of financial position and presentation in the statement of cash flows, cash and cash equivalents include cash in hand, cash at banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.6 Financial instruments

2.6.1 Financial assets

a) Classification

The Company classifies its financial assets as measured at amortised cost. See Note 22 for details of each type of financial asset. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

b) Recognition and derecognition

At initial recognition, the Company measure financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset. Transactions cost of financial assets carried at fair value through profit or loss are expensed in profit or loss.

The Company derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

2 Summary of significant accounting policies (continued)

2.6 Financial instruments

2.6.1 Financial assets

c) Measurement

Subsequent measurement of financial assets depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest are measure at amortised cost. A gain or loss on a financial instrument that is subsequently measured at amortized cost and is not part of the hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is calculated using the effective interest rate method.

2.6.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest rate method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss.

2.7 Impairment of financial assets

The Company assesses on a forward looking basis the Expected Credit Loss ("ECL") associated with its financial assets carried at amortized cost. Refer Note 22, which details how the Company determines whether there has been a change in credit risk.

For trade receivables and other financial assets, the Company applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables. The amount of the loss is charged to profit or loss.

The loss rates are based on probability of default based on historical trends relating to collections of Company's trade receivables. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant decrease in credit worthiness of the customer, the failure of the customer to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 720 days past due.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in profit or loss.

2.8 Trade receivables

Trade receivables are amounts due from customers for products sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less allowance for ECL.

2 Summary of significant accounting policies (continued)

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories comprise all costs of purchase plus other charges incurred thereon. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Spare parts and supplies not held for sale are carried at cost less any provision for inventory obsolescence. Provision for inventory obsolescence is made considering various factors including age of the inventory items, historic sale trends and expected turnover in future.

2.10 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on property, plant and equipment to allocate its cost, less estimated residual value, on a straight-line basis over the estimated useful lives of the assets. The depreciation expense is recognised in profit or loss in the expense category consistent with the function of the property, plant and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. Major spare parts qualify for recognition as property, plant and equipment when the Company expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use.

Assets in the course of construction or development are capitalised in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of capital work-in-progress intended by management. Capital work-in-progress is not depreciated.

2.11 Leases

2.11.1 Accounting policy applied from 1 April 2019

At the inception of the contract the Company assesses whether a contract is or contains a lease. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2 Summary of significant accounting policies (continued)

2.11 Leases (continued)

2.11.1 Accounting policy applied from 1 April 2019 (continued)

Lease liabilities

The lease liability is initially measured at the net present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the individual lessee, which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security.

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due); and
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

2 Summary of significant accounting policies (continued)

2.11 Leases (continued)

2.11.1 Accounting policy applied from 1 April 2019 (continued)

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 "Provisions, contingent liabilities and contingent assets". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 "Impairment of Assets" to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the profit or loss.

2.11.2 Accounting policy applied until 31 March 2019

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

2.12 Impairment of non-financial assets excluding inventories

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash-Generating Unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

2.13 Share capital

Ordinary shares are classified as equity.

2 Summary of significant accounting policies (continued)

2.14 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.15 Borrowings

Borrowings are initially recognised at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, long-term borrowings are measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as “other income” or “financial costs”.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

2.16 Employee benefit obligations

The Company operates a single post-employment benefit scheme of defined benefit plan driven by the Labour Laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plan is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income and transferred to retained earnings in the statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs. End of service payments are based on employees’ final salaries and allowances and their cumulative years of service, as stated in the labour law of Kingdom of Saudi Arabia.

3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates and judgments 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 revenue 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 judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

In response to the spread of the Covid-19 pandemic in the GCC and other territories where the Company operates and its consequential disruption to the social and economic activities in those markets, Company's management has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures, including activation of the crisis management team and associated processes to:

- ensure the health and safety of its employees and contractors as well as the wider community where it is operating.
- minimizing the impact of the pandemic on its operations and product supply to the market.

Notwithstanding these challenges, the Company was successful in maintaining stable operations while maneuvering limited demand interruptions to maintain product flow to the market. The Company's management believes that the Covid-19 pandemic, by itself, has had limited direct material effects on Company's reported results for the year ended 31 March 2020. The Company's management continues to monitor the situation closely. Management, through the crisis management team, has proactively assessed the potential of the Covid-19 pandemic for any further regulatory and government restrictions both locally and in the market in which the Company operates that could adversely affect our supply chain and our production capabilities, demand of our products, as well as our sales distribution network that could cause a negative impact on our financial performance. Management has concluded that our critical accounting judgements, estimates and assumptions remain appropriate under the current circumstances.

The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period are discussed below:

a) Useful lives of property, plant and equipment

The management determines the estimated useful lives of property, plant and equipment for computing depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates. At year-end, if the useful life increased / decreased by 10% against the current useful life with all other variables held constant, profit for the year would have been Saudi Riyals 0.8 million lower or Saudi Riyals 0.9 million higher.

b) Impairment of non-financial assets

Management assess the impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors which could trigger an impairment review include evidence from internal and external sources related to the changes in technological, market, economic or legal environment in which the entity operates, changes in market interest rates and economic performance of the assets. Also see Note 12.

c) Right-of-use assets and lease liabilities

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

(All amounts in Saudi Riyals unless otherwise stated)

4 Revenue

	2020	2019
Revenue - point in time	**122,117,651**	47,031,408

5 Cost of revenue

	Note	2020	2019
Cost of materials		**63,235,435**	27,473,043
Salaries and benefits		**10,015,560**	8,510,625
Depreciation	12, 13	**8,331,329**	8,252,366
Equipment rent		**6,180,449**	2,939,580
Utilities		**4,580,308**	1,855,776
Sub-contractors costs		**2,902,152**	4,081,167
(Reversal) provision for inventory obsolescence	11	**(39,308)**	73,817
Other		**4,197,515**	3,011,777
		99,403,440	56,198,151

6 General and administrative expenses

	Note	2020	2019
Salaries and benefits		**2,731,860**	2,439,155
Rent and utilities		**469,936**	518,991
Professional fee		**277,858**	247,678
Repair		**222,579**	134,745
Depreciation	12, 13	**191,325**	203,269
License fee		**85,597**	114,471
Cleaning charges		**70,313**	267,200
Other		**111,140**	580,975
		4,160,608	4,506,484

7 Other operating income - net

	2020	2019
Other operating income - net	**115,937**	550,246
	115,937	550,246

8 Financial costs

	Note	2020	2019
Financial costs on loan from shareholders	21	**3,768,096**	4,149,399
Amortization of deferred charges	16	**513,622**	-
Financial costs on lease liabilities	18	**121,615**	-
Financial costs on long-term borrowings	16	**-**	468,290
Other		**301,539**	156,093
		4,704,872	4,773,782

9 Cash and cash equivalents

	31 March 2020	31 March 2019
Cash in hand	**26,714**	49,916
Cash at bank	**1,633,926**	199,208
	1,660,640	249,124

10 Trade and other receivables

	Note	31 March 2020	31 March 2019
Trade receivables:			
Trade		**4,486,769**	1,091,113
ECL allowance		**(243,251)**	(243,251)
		4,243,518	847,862
Assets recognised from costs to fulfil a contract		**15,279,943**	1,509,614
Advances to suppliers		**3,483,725**	999,916
Prepaid expenses		**523,666**	622,301
Advances to employees		**192,344**	155,744
Related party	21	**53,474**	53,474
Other		**-**	346,947
		23,776,670	4,535,858

(a) Movement in ECL allowance is as follows:

	2020	2019
At 1 April	**243,251**	-
ECL allowance	**-**	243,251
At 31 March	**243,251**	243,251

The Company applies the simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other financial assets. To measure the ECL allowance, trade receivables have been computed based on shared credit risk characteristics and the days past due. The ECL allowance based on the loss rates for the age brackets was not material.

(b) The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to the credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

(c) The carrying amounts of the Company's trade and other receivables are denominated in Saudi Riyals.

(All amounts in Saudi Riyals unless otherwise stated)

10 Trade and other receivables (continued)

(d) The ageing analysis of these trade receivable is as follows:

	2020	2019
Up to 90 days	**3,005,438**	125,419
91 to 180 days	**152,432**	722,443
181 days to 365 days	**1,052,206**	-
366 days to 730 days	**276,693**	-
More than 730 days	**-**	243,251
	4,486,769	1,091,113

The expected loss rates are based on the collection profiles of sales over a period of 48 month before 31 March 2020 and 31 March 2019 respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the country in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

(e) The Company does not hold any collateral as security.

11 Inventories

	31 March 2020	31 March 2019
Consumables	**13,489,242**	7,841,451
Spare parts and supplies, not held for sale	**4,623,800**	4,125,597
	18,113,042	11,967,048
Less: provision for inventory obsolescence	**(1,079,346)**	(1,118,653)
	17,033,696	10,848,395

Movement in provision for inventory obsolescence is as follows:

	2020	2019
At 1 April	**1,118,653**	1,044,836
(Reversal) provision	**(39,307)**	73,817
At 31 March	**1,079,346**	1,118,653

(All amounts in Saudi Riyals unless otherwise stated)

12 Property, plant and equipment

	1 April 2019	Additions	Disposals	31 March 2020
2020				
Cost				
Buildings and leasehold improvements	24,290,605	-	-	**24,290,605**
Plant and machinery	128,043,695	199,120	-	**128,242,815**
Furniture, fixtures and office equipment	541,081	8,228	-	**549,309**
Capital work in progress	-	180,000	-	**180,000**
	152,875,381	387,348	-	**153,262,729**
Accumulated depreciation				
Buildings and leasehold improvements	(9,523,599)	(1,214,530)	-	**(10,738,129)**
Plant and machinery	(55,202,669)	(7,058,004)	-	**(62,260,673)**
Furniture, fixtures and office equipment	(510,071)	(18,693)	-	**(528,764)**
	(65,236,339)	(8,291,227)	-	**(73,527,566)**
	87,639,042			**79,735,163**

	1 April 2018	Additions	Disposals	31 March 2019
2019				
Cost				
Buildings and leasehold improvements	24,290,605	-	-	24,290,605
Plant and machinery	127,984,677	59,018	-	128,043,695
Furniture, fixtures and office equipment	509,361	31,720	-	541,081
Vehicles	125,495	-	(125,495)	-
	152,910,138	90,738	(125,495)	152,875,381
Accumulated depreciation				
Buildings and leasehold improvements	(8,309,069)	(1,214,530)	-	(9,523,599)
Plant and machinery	(47,992,749)	(7,209,920)	-	(55,202,669)
Furniture, fixtures and office equipment	(484,589)	(25,482)	-	(510,071)
Vehicles	(119,792)	(5,703)	125,495	-
	(56,906,199)	(8,455,635)	125,495	(65,236,339)
	96,003,939			87,639,042

a) Depreciation is calculated on straight line basis over the following estimated useful lives of the assets:

	Number of years
• Buildings and leasehold improvements	10 - 20
• Plant and machinery	2 - 20
• Furniture, fixtures and office equipment	2 - 5
• Vehicles	3 - 5

(All amounts in Saudi Riyals unless otherwise stated)

12 Property, plant and equipment (continued)

b) Impairment test for property, plant and equipment

As at 31 March 2020, management of the Company performed an impairment assessment of property, plant and equipment (the "assets") due to the weak market conditions. The impairment assessment resulted in no impairment. The value-in-use of the assets, was based on a discounted cash flow analysis which utilized the most recent five-year business plan prepared by management.

Key assumptions used in this analysis included:

· a pre-tax discount rate of 10.2% per annum which was calculated using a Capital Asset Pricing Model (CAPM) methodology;

· for the calculation of the terminal value, the Gordon Growth Method was adopted which included a growth rate of 2.0% which has been estimated based on management's forecast for the industry.

Management concluded that the recoverable amount for the assets of the Company is higher than the carrying value of the assets by Saudi Riyals 89 million. This estimated recoverable amount was based on approved five years business plan. The calculation involved an in-depth review of each key element of the Company's income and costs (including sales volume and prices, operating costs and capital expenditure) and included a review of historical results.

Management of the Company has considered and assessed reasonably possible changes for all key assumptions and have not identified any instances that could cause the carrying amount of the assets to exceed its recoverable amount.

13 Right-of-use assets

The Company has recorded right-of-use asset related to a land lease. The movement during the year is as follows:

	Land
Cost	
IFRS 16 adjustment:	
Initial recognition of right-of-use asset upon adoption of IFRS 16	2,777,123
Additions during the year	-
At 31 March 2020	**2,777,123**
Accumulated depreciation	
Depreciation for the year	(231,427)
Net book value	
At 31 March 2020	**2,545,696**

The Company has lease in respect of a land. Rental contracts are typically made for fixed period and an extension option is considered where the Company's management is reasonably certain to exercise.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets are not be used as security for borrowing purposes

During 2020 and 2019, the Company does not have any short-term or low value leases.

14 Share capital

The share capital of the Company as of 31 March 2020 and 2019 comprised of 33,765,625 shares stated at Saudi Riyals 1 per share owned as follows:

	Country of incorporation	Shareholding percentage 2020	2019
Welspun Mauritius Holdings Ltd.	Mauritius	**50.01**	50.01
Aziz Company for Contracting & Industrial Investment	Saudi Arabia	**28.50**	-
Vision International Investment Co.	Saudi Arabia	**16.50**	-
Mohawareen Industrial Services	Saudi Arabia	**4.99**	4.99
Arabian Pipeline Projects Company	Saudi Arabia	**-**	45.00
		100.00	100.00

On 1 November 2019, the shareholding of the Company was changed and, accordingly, the Company amended its Articles of Association and foreign investment license issued by The Ministry of Investment to reflect the change in its shareholders.

15 Statutory reserve

In accordance with the Company's Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the profit for the year, after adjusting its accumulated losses, to a statutory reserve until such reserve equals 30% of share capital. This reserve currently is not available for distribution to the shareholders of the Company. No transfer was made for the years 2020 and 2019 due to accumulated losses for such years.

16 Long-term borrowings

	31 March 2020	31 March 2019
Principal amount	-	3,777,000
Less: unamortized transaction costs	-	(513,622)
	-	3,263,378

Movements in unamortized transaction costs are as follows:

	2020	2019
At 1 April	**513,622**	513,622
Less: amortization	**(513,622)**	-
At 31 March	**-**	513,622

This loan was obtained by the Company from the Saudi Industrial and Development Fund ("SIDF"). The loan was obtained to finance the construction of the Company's plant facilities amounted to Saudi Riyals 40.0 million, and was fully repaid during the year ended 31 March 2020. The loan was denominated in Saudi Riyals.

Up-front charges and administrative fee were charged by SIDF under the loan agreement. The loan was secured by corporate guarantees provided by the shareholders.

(All amounts in Saudi Riyals unless otherwise stated)

17 Trade and other payables

	Note	31 March 2020	31 March 2019
Related parties	21	**89,857,068**	29,880,592
Trade payables		**17,827,211**	7,415,175
Accrued expenses		**2,230,952**	1,115,915
Value added tax		**2,072,630**	-
Salaries and benefits		**817,658**	647,224
Accrued financial costs related to shareholder loan		**641,836**	36,506,923
Advances from customers		**70,038**	45,687
		113,517,393	75,611,516

18 Lease liabilities

	31 March 2020	1 April 2019
Future minimum lease payments	**3,600,000**	3,600,000
Less: repayment of minimum lease payments	**(300,000)**	-
	3,300,000	3,600,000
Less: future financial costs not yet due	**(701,262)**	(822,877)
Net present value of minimum lease payment	**2,598,738**	2,777,123
Less: current portion presented under current liabilities	**2,598,738**	178,385
Non-current portion of lease liabilities	**-**	2,598,738
	2,598,738	2,777,123

Movement in lease liabilities is as follows:

	31 March 2020	1 April 2019
IFRS 16 adjustment:		
Initial recognition of lease liabilities upon adoption of IFRS 16	**2,777,123**	2,777,123
Accretion of financial costs during the year	**121,615**	-
Payments made during the year	**(300,000)**	-
	2,598,738	2,777,123

(All amounts in Saudi Riyals unless otherwise stated)

19 Employee benefit obligations

19.1 General description of the plan

The Company operates a defined benefit plan in line with the Labor Laws requirements in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the labor laws of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment. An independent actuary carried out latest valuation of employee benefit obligations under the projected unit credit method as at 31 March 2020.

	2020	**2019**
1 April	**2,214,920**	1,642,430
Current service cost	**350,630**	300,810
Interest expense	**90,570**	80,310
Payments	**(167,660)**	(72,440)
Remeasurements	**315,790**	263,810
31 March	**2,804,250**	2,214,920

19.2 Amounts recognised in the statement of comprehensive income

The amounts recognised in the statement of comprehensive income related to employee benefit obligations are as follows:

	2020	**2019**
Current service cost	**350,630**	300,810
Interest expense	**90,570**	80,310
Total amount recognised in profit or loss	**441,200**	381,120
<u>Remeasurements</u>		
Loss from change in financial assumptions	**272,200**	209,390
Experience gains	**43,590**	54,420
Total amount recognised in other comprehensive income	**315,790**	263,810

19.3 Key actuarial assumptions

	2020	**2019**
Discount rate	**3.5%**	4.3%
Salary growth rate	**3.0%**	3.0%

19.4 Sensitivity analysis for actuarial assumptions

	Change in assumption		**Impact on employee benefit obligations**	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	1%	(354,850)	428,820
Salary growth rate	1%	1%	426,630	(359,630)

(All amounts in Saudi Riyals unless otherwise stated)

19 Employee benefit obligations (continued)

19.4 Sensitivity analysis for actuarial assumptions (continued)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

20 Zakat and income tax matters

20.1 Components of approximate zakat base attributable to Saudi shareholders

	2020	**2019**
Equity at beginning of year	**(28,418,357)**	(19,221,021)
Provisions at beginning of year	**1,704,241**	1,203,472
Adjusted profit (loss) for the year	**7,181,843**	(6,824,056)
Borrowings	**38,295,326**	51,631,366
Lease liabilities	**2,598,738**	-
Property, plant and equipment, as adjusted	**(39,859,608)**	(45,681,969)
Right-of-use assets, as adjusted	**(1,272,593)**	-
Other	**(2,311,437)**	(2,062,386)
Approximate zakat base	**(22,081,847)**	(20,954,594)

Zakat is payable at 2.578% of the zakat base, excluding adjusted profit (loss) for the year, attributable to the Saudi shareholder. Zakat on adjusted profit for the year is payable at 2.5%.

20.2 Zakat and income tax payable

	Zakat	**Income tax**	**Total**
At 1 April 2019	-	-	**-**
Provision for the year	179,546	1,387,890	**1,567,436**
At 31 March 2020	179,546	1,387,890	**1,567,436**

20.3 Temporary differences

	2020	**2019**
Profit (loss) before zakat and income tax	**13,964,668**	(18,140,014)
- Depreciation	**-**	3,458,006
- Employee obligation benefits	**441,200**	1,069,392
- Other	**(39,308)**	(38,228)
Adjusted net profit (loss) for the year	**14,366,560**	(13,650,844)

(All amounts in Saudi Riyals unless otherwise stated)

20 Zakat and income tax matters (continued)

20.4 Numerical reconciliation of income tax expense to prima facie tax payable

	2020	2019
Profit (loss) before zakat and income tax	**13,964,668**	(18,140,014)
Income tax rate applicable to the Company	**20%**	20%
Effective shareholding subject to income tax	**50.01%**	50.01%
Income tax on effective shareholding	**1,396,746**	(1,814,364)
Reconciliation:		
Deferred tax not recorded	**(8,856)**	1,575,465
Add: tax effect of permanent differences	**-**	238,899
	1,387,890	-

20.5 Status of certificates and final assessments

The Company has obtained final assessments from GAZT for the years through 2010. The assessments for the years from 2011 through 2019 are currently under review by GAZT. The Company has obtained zakat and income tax certificates for the years through 2019.

20.6 Deferred tax assets

As at 31 March 2020, the Company's unused tax losses of Saudi Riyals 51.2 million (2019: Saudi Riyals 53.5 million) and deductible temporary differences of Saudi Riyals 6.7 million (2019: Saudi Riyals 3.6 million) were not used for the recognition of net deferred tax assets. The net deferred tax assets was not recognised due to the Company's potential merger with a related party subsequent to the reporting date.

21 Related party transactions and balances

Related parties comprise the shareholders, directors, associated companies and key management personnel. Related parties also include business entities in which shareholders have an interest ("other related parties").

The shareholders' agreement requires qualified majority voting for all key decisions. Accordingly, the Company is jointly-controlled by the major shareholders i.e. Welspun Mauritius Holdings Company Ltd. (50.01%), Aziz Company for Contracting & Industrial Investment (28.5%) and Vision International Investment Co (16.5%). Welspun Mauritius Holdings Company Ltd. is ultimately controlled by Welspun Corp Limited.

All related transactions were made on normal commercial terms and conditions and at market rates.

(All amounts in Saudi Riyals unless otherwise stated)

21 Related party transactions and balances (continued)

(a) Following are the significant transactions entered by the Company:

Nature of transactions and relationship	**2020**	**2019**
Sales to an associated company	**20,433,477**	14,317,268
Sales to the Ultimate Parent Company	**-**	600,759
Purchases and other related services from the shareholder	**436,984**	466,951
Purchases and other related services from the associated companies	**2,918,956**	6,490,633
Cost charged to associated companies	**1,167,896**	253,249
Cost charged by the shareholders	**124,610**	9,980
Cost charged by other related parties	**-**	43,775
Financial costs charged by the shareholders	**3,768,096**	4,149,399

(b) Key management personnel compensation:

	2020	**2019**
Salaries and other short-term employee benefits	**354,806**	85,881
Post-employment benefits	**18,064**	3,301
	372,870	89,182

(c) Loans from shareholders

	31 March 2020	**31 March 2019**
Welspun Mauritius Holdings Company Ltd.	**24,023,443**	39,023,442
Aziz Company for Contracting & Industrial Investment	**13,756,996**	-
Vision International Investment Co.	**11,255,724**	-
Arabian Pipeline Projects Company	**-**	40,012,720
	49,036,163	79,036,162

These represent funding obtained from shareholders which carry financial charges at prevailing market rates. These loans are due for repayment in 2022. During the year, Arabian Pipelines Projects Company transferred such loan to the new shareholders of the Company.

(d) Outstanding balances arising from sales / purchases of goods and services

(i) Due from a related party

Due from a related party at 31 March 2020 and 2019 represent amounts due from Aziz European Pipe Factory.

21 Related party transactions and balances (continued)

(d) Outstanding balances arising from sales / purchases of goods and services (continued)

(ii) Due to related parties

	31 March 2020	31 March 2019
Welspun Middle East Pipes Company	**89,825,250**	27,492,305
Arabian Pipeline Projects Company	**31,818**	531,817
Welspun Corp Limited	-	1,035,632
Aziz Company for Contracting and Industrial Investment	-	278,528
Vision International Investment Company	-	278,925
Welspun Mauritius Holding Ltd	-	250,000
Mohawareen Industrial Services	-	13,385
	89,857,068	29,880,592

22 Financial risk management

22.1 Financial risk factors

The Company's activities expose it to a variety of financial risks including the effects of changes in market risk (including currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by the management under policies approved by the board of directors.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Senior management has overall responsibility for the establishment and oversight of the Company's risk management framework and is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

(a) Market risk

(i) Foreign exchange risk

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 primarily in Saudi Riyals and United States dollars. Since Saudi Riyal is pegged to United States dollars, management of the Company believes that the currency risk for the financial instruments is not significant.

22 Financial risk management (continued)

22.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Fair value and cash flow interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company borrows at interest rates on commercial terms.

Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. During 2020 and 2019, the Company's borrowings were denominated in Saudi Riyals.

The Company's receivables and fixed rate borrowings (long-term loans from shareholders) carried at amortised cost are not subject to interest rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates. Hence, the Company is not exposed to fair value interest rate risk.

The long-term borrowings from commercial banks carried variable rates of interest. During the year, the long-term borrowings were repaid fully, hence, the Company is not exposed to cash flow interest rate risk at 31 March 2020.

(iii) Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company's financial assets and liabilities are not exposed to price risk.

(b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk in respect of:

- Payment of trade receivables; and
- Contractual cash flows related to other financial assets carried at amortised costs.

Trade receivables:

Concentration of credit risk arises when several counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting an industry or geographical location. At 31 March 2020, 99.9% of trade receivables were due from three customer (2019: 99% of trade receivables was due from a single customer). Management believes that this concentration of credit risk is mitigated as the customers have established track record of regular and timely payments.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivable. The Company has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of receivables.

The Company establishes ECL allowance that represents its estimate of potential losses in respect of trade and other receivables. The main components of this loss are a specific loss component that relates to individual exposures and a collective loss component established for similar assets in respect of any potential losses that may have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

22 Financial risk management (continued)

22.1 Financial risk factors (continued)

(b) Credit risk (continued)

Trade receivables: (continued)

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry in which customers operate, has less of an influence on credit risk.

Credit risk on related parties is considered minimal as management monitors and reconciles amounts due from related parties on a regular basis and recoverability is not considered to be doubtful. Management does not expect any losses from non-performance by such related parties. At 31 March 2020, the ECL allowance on related party receivables was immaterial.

Other financial assets carried at amortised costs:

Other financial assets at amortised cost include other receivables. The instruments are low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Management consider 'low credit risk' for other receivables. At 31 March 2020, the ECL allowance on other financial assets was immaterial.

Cash at banks:

For banks, parties generally with a minimum rating of P-1 are accepted. The stated rating is as per the global bank ratings by Moody's Investors Service. Management does not expect any losses from non-performance by these counterparties.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Company has access to credit facilities. Also see Note 1.

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal ratio targets.

The table below analyses the Company's financial liabilities into the relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

(All amounts in Saudi Riyals unless otherwise stated)

22 Financial risk management (continued)

22.1 Financial risk factors (continued)

(c) Liquidity risk

	Less than one year	1 to 2 years	2 to 5 years	Over 5 years	Total
2020					
Lease liabilities	300,000	300,000	900,000	1,800,000	**3,300,000**
Long-term loans from shareholders	2,574,399	51,610,562	-	-	**54,184,961**
Trade and other payables	111,374,725	-	-	-	**111,374,725**
	114,249,124	51,910,562	900,000	1,800,000	**168,859,686**

	Less than one year	1 to 2 years	Total
2019			
Long-term borrowings	3,777,000	-	3,777,000
Long-term loans from shareholders	4,160,767	82,154,842	86,315,609
Trade and other payables	75,565,829	-	75,565,829
	83,503,596	82,154,842	165,658,438

22.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

22.3 Net debt reconciliation

The net debt of the Company is as follows:

	2020	2019
Cash and cash equivalents	**1,660,640**	249,124
Long-term loans from shareholders	**(49,036,163)**	(79,036,162)
Lease liabilities	**(2,598,738)**	
Long-term borrowings	-	(3,263,378)
Net debt	**(49,974,261)**	(82,050,416)

The Company's net debt reconciliation is as follows

	Cash and cash equivalents	Long-term loans from shareholders	Long-term borrowings	Lease liabilities	Total
At 1 April 2018	1,842,826	(79,036,162)	(11,486,378)	-	(88,679,714)
Cash flows	(1,593,702)	-	8,223,000	-	6,629,298
At 31 March 2019	249,124	(79,036,162)	(3,263,378)	-	(82,050,416)
Recognition on adoption of IFRS 16	-	-	-	(2,777,123)	**(2,777,123)**
Cash flows	1,411,516	29,999,999	3,263,378	178,385	**34,853,278**
At 31 March 2020	1,660,640	(49,036,163)	-	(2,598,738)	**(49,974,261)**

(All amounts in Saudi Riyals unless otherwise stated)

23 Categories of financial instruments

The accounting policies for financial instruments have been applied to the line items below:

	Financial assets carried at amortised cost	
31 March	**2020**	**2019**
Assets as per statement of financial position		
Trade and other receivables	**4,296,992**	1,362,027
Cash and cash equivalents	**1,660,640**	249,124
Total	**5,957,632**	1,611,151

	Financial liabilities carried at amortised cost	
31 March	**2020**	**2019**
Liabilities as per statement of financial position		
Long-term loans from shareholders	**49,036,163**	79,036,162
Bank borrowings	**-**	3,263,378
Trade and other payables	**111,374,725**	75,565,829
Total	**160,410,888**	157,865,369

For the purpose of the financial instruments disclosure, non-financial assets and non-financial liabilities amounting to Saudi Riyals 19.5 million and Saudi Riyals 2.1 million respectively (2019: Saudi Riyals 3.2 million Saudi Riyals 0.04 million respectively) have been excluded from trade and other receivables and trade and other payables, respectively.

24 Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The Company has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements. Management regularly reviews significant unobservable inputs and valuation adjustments.

As at 31 March 2020 and 2019, the fair values of the Company's financial instruments are estimated to approximate their carrying values since the financial instruments which do not bear interest are short term in nature and are expected to be realized at their current carrying values within twelve months from the date of statement of financial position, while the financial instruments which bear interest are at variable interest rates, adjusted in line with prevailing market rates.

25 Events after the reporting date

Subsequent to the reporting date, the shareholders of the Company and WMEP entered into a binding agreement to merge the operations (see Note 1). No other events have arisen subsequent to 31 March 2020 and before the date of signing the independent auditor's audit report, that could have a significant effect on the financial statements as at 31 March 2020.

WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 APRIL 2020 to 20 JULY 2020
AND INDEPENDENT AUDITOR'S REPORT

WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A limited liability company)
FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 APRIL 2020 to 20 JULY 2020

Independent auditor's report to the shareholders of Welspun Middle East Pipes Coating Company

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Welspun Middle East Pipes Coating Company (the "Company") as at 20 July 2020, and its financial performance and its cash flows for the period from 1 April 2020 to 20 July 2020 in accordance with International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

What we have audited

The Company's financial statements comprise:

- the statement of profit or loss and other comprehensive income for the period from 1 April 2020 to 20 July 2020;
- the statement of financial position as at 20 July 2020;
- the statement of changes in equity for the period then ended;
- the statement of cash flows for the period then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements 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. The Company's shareholders signed an agreement on 14 May 2020 to merge the Company with another Saudi Arabian entity owned by the Company's shareholders in the same shareholding proportion. The merger was approved by the regulatory authorities and became effective on 21 July 2020. Accordingly, the accompanying financial statements are the last statutory financial statements of the Company and are prepared on a non-going concern basis. Our opinion is not modified in respect of this matter.

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Independent auditor's report to the shareholders of Welspun Middle East Pipes Coating Company (continued)

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's Articles of Association, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, i.e. Board of Directors, 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 International Standards on Auditing, that are 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, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism 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.
- 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.

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Independent auditor's report to the shareholders of Welspun Middle East Pipes Coating Company (continued)

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.

PricewaterhouseCoopers

Ali H. Al Basri
License Number 409

4 February 2021

WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A limited liability company)
Statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the period from 1 April 2020 to 20 July 2020	For the year ended 31 March 2020 (Restated - Note 4)
Revenue	5	**39,448,929**	137,397,594
Cost of revenue	6	**(33,121,241)**	(114,683,383)
Gross profit		**6,327,688**	22,714,211
General and administrative expenses	7	**(1,014,352)**	(4,160,608)
Other operating income - net		**425,610**	115,937
Operating profit		**5,738,946**	18,669,540
Financial costs	8	**(624,681)**	(4,704,872)
Profit before zakat and income tax		**5,114,265**	13,964,668
Zakat expense	19	**(57,070)**	(179,546)
Income tax expense	19	**(432,896)**	(1,387,890)
Profit for the period / year		**4,624,299**	12,397,232
Other comprehensive loss			
Item that will not be reclassified to profit or loss			
Remeasurement loss on employee benefit obligations	18	**(507,210)**	(315,790)
Total comprehensive income for the period / year		**4,117,089**	12,081,442

The accompanying notes are an integral part of these financial statements.

WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A limited liability company)
Statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 20 July 2020	As at 31 March 2020
Assets			
Cash and cash equivalents	9	**26,714**	1,660,640
Trade and other receivables	10	**24,113,469**	23,776,670
Inventories	11	**13,930,796**	17,033,696
Property, plant and equipment	12	**77,788,091**	79,735,163
Right-of-use assets	13	**2,468,554**	2,545,696
Total assets	1	**118,327,624**	124,751,865
Equity and liabilities			
Equity			
Share capital	14	**33,765,625**	33,765,625
Accumulated losses		**(74,420,651)**	(78,537,740)
Net equity	1	**(40,655,026)**	(44,772,115)
Liabilities			
Loans from shareholders	20	**30,187,523**	49,677,999
Trade and other payables	16	**122,190,974**	112,875,557
Employee benefit obligations	18	**3,475,970**	2,804,250
Zakat and income tax payable	19	**490,358**	1,567,436
Lease liabilities	17	**2,637,825**	2,598,738
Total liabilities	1	**158,982,650**	169,523,980
Total equity and liabilities		**118,327,624**	124,751,865

The accompanying notes are an integral part of these financial statements.

WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A limited liability company)
Statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Welspun Mauritius Holdings Ltd.	Mohawareen Industrial Services	Arabian Pipeline Projects Company	Aziz Company for Contracting & Industrial Investment	Vision International Investment Co.	Total
Share capital							
1 April 2019		16,886,189	1,684,905	15,194,531	-	-	33,765,625
Change in shareholding	14	-	-	(15,194,531)	9,572,555	5,621,976	-
31 March 2020 and 20 July 2020		16,886,189	1,684,905	-	9,572,555	5,621,976	**33,765,625**
Accumulated losses							
1 April 2019		(45,321,389)	(4,521,624)	(40,776,169)	-	-	(90,619,182)
Profit before zakat and income tax for the period from 1 April 2019 to 31 October 2019		2,974,118	296,758	2,676,171	-	-	5,947,047
Zakat and income tax expense for the period from 1 April 2019 to 31 October 2019	19	(594,824)	(7,432)	(66,891)	-	-	(669,147)
31 October 2019		(42,942,095)	(4,232,298)	(38,166,889)	-	-	(85,341,282)
Change in shareholding	14	-	-	38,166,889	(24,045,140)	(14,121,749)	-
Profit before zakat and income tax for the period from 1 November 2019 to 31 March 2020		4,009,612	400,079	-	2,285,022	1,322,908	8,017,621
Zakat and income tax expense for the period from 1 November 2019 to 31 March 2020	19	(793,066)	(10,522)	-	(59,977)	(34,724)	(898,289)
Other comprehensive loss for the period from 1 November 2019 to 31 March 2020		(157,927)	(15,758)	-	(90,000)	(52,105)	(315,790)
31 March 2020		(39,883,476)	(3,858,499)	-	(21,910,095)	(12,885,670)	(78,537,740)

(continued)

WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A limited liability company)
Statement of changes in equity (continued)
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Welspun Mauritius Holdings Ltd.	Mohawareen Industrial Services	Arabian Pipeline Projects Company	Aziz Company for Contracting & Industrial Investment	Vision International Investment Co.	Total
Accumulated losses (continued)							
Profit before zakat and income tax for the period from 1 April 2020 to 20 July 2020		2,557,644	255,202	-	1,449,894	851,525	**5,114,265**
Zakat and income tax expense for the period from 1 April 2020 to 20 July 2020	19	(432,896)	(5,697)	-	(32,365)	(19,008)	**(489,966)**
Other comprehensive loss for the period from 1 April 2020 to 20 July 2020		(253,656)	(25,310)	-	(143,794)	(84,450)	**(507,210)**
20 July 2020		(38,012,384)	(3,634,304)	-	(20,636,360)	(12,137,603)	**(74,420,651)**
Net equity							
20 July 2020		**(21,126,195)**	**(1,949,399)**	**-**	**(11,063,805)**	**(6,515,627)**	**(40,655,026)**
31 March 2020		(22,997,287)	(2,173,594)	-	(12,337,540)	(7,263,694)	(44,772,115)

The accompanying notes are an integral part of these financial statements.

WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A limited liability company)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the period from 1 April 2020 to 20 July 2020	For the year ended 31 March 2020
Cash flows from operating activities			
Profit before zakat and income tax		**5,114,265**	13,964,668
Adjustments for:			
Depreciation	12, 13	**2,604,488**	8,522,654
Provision (reversal) for inventory obsolescence	11	**92,004**	(39,307)
Financial costs	8	**624,681**	4,704,872
Employee benefit obligations	18	**164,510**	441,200
Changes in operating assets and liabilities:			
Decrease (increase) in inventories		**3,010,896**	(6,145,994)
Increase in trade and other receivables		**(336,799)**	(19,240,812)
Increase in trade and other payables		**9,315,417**	73,770,964
Cash generated from operations		**20,589,462**	75,978,245
Employee benefit obligations paid	18	**-**	(167,660)
Zakat and tax paid	19	**(1,567,044)**	-
Financial costs paid		**(76,070)**	(40,569,959)
Net cash inflow from operating activities		**18,946,348**	35,240,626
Cash flows from investing activities			
Payments for purchase of property and equipment	12	**(580,274)**	(387,348)
Cash flows from financing activities			
Repayment of loans from shareholders		**(20,000,000)**	(29,999,999)
Repayment of long-term borrowings		**-**	(3,263,378)
Repayment of lease liabilities	17	**-**	(178,385)
Net cash outflow from financing activities		**(20,000,000)**	(33,441,762)
Net change in cash and cash equivalents		**(1,633,926)**	1,411,516
Cash and cash equivalents at beginning of period / year		**1,660,640**	249,124
Cash and cash equivalents at end of period / year	9	**26,714**	1,660,640
Non-cash investing and financing activities			
Right-of-use assets recorded against lease liabilities	17	**-**	2,777,123

The accompanying notes are an integral part of these financial statements.

1 General information

Welspun Middle East Pipes Coating Company (the "Company") is engaged in providing spiral pipes coating services.

The Company was a limited liability company licensed under foreign investment license number 121031119001 issued by the Ministry of Investment (previously the 'Saudi Arabian General Investment Authority') on 22 Rajab 1431 H (4 July 2010) operating under commercial registration number 2050071524 issued in Dammam on 22 Rajab 1431 H (4 July 2010). The registered address of the Company is P.O. Box 12943, Dammam 31483, Kingdom of Saudi Arabia.

During 2019, the Board of Directors ("BoD") of the Company in their meeting held on 24 November 2019 resolved to merge the Company with Welspun Middle East Pipes Company ("WMEP"), a limited liability company registered in the Kingdom of Saudi Arabia, owned by the Company's shareholders in the same shareholding proportion ("common control"). Based on the BoD recommendation, the Company's shareholders signed an agreement on 14 May 2020 ("Merger Agreement"), whereby it was agreed to merge the operations and all assets, rights, liabilities and obligations of the Company with WMEP at no purchase consideration. The merger was approved by the Ministry of Commerce on 21 July 2020 ("Effective Date"). Subsequent to the Effective Date, the Company ceases to exist as a limited liability company and operates as a branch of WMEP. Accordingly, these financial statements are considered as the last statutory financial statements of the Company and have been prepared on a non-going concern basis.

These financial statements were authorized for issue by the Company's Board of Directors on 4 February 2021.

2 Summary of significant accounting policies

The principal accounting policies applied for the preparation of financial statements of the Company are set out below. The accounting policies have been consistently applied to all the periods presented.

2.1 Basis of preparation

2.1.1 Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia ("IFRS"), and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

2.1.2 Historical cost convention

These financial statements are prepared on a non-going concern basis (see Note 1) using the historical cost convention except where IFRS requires other measurement basis as disclosed in the relevant accounting policies.

2.1.3 New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their reporting periods commencing on or after 1 April 2020:

- Definition of Material - amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- Definition of a Business - amendments to IFRS 3 'Business Combinations';
- Interest Rate Benchmark Reform - amendments to IFRS 9 'Financial instruments', IAS 39 'Financial instruments: Recognition and Measurement' and IFRS 7 'Financial Insturments: Disclosures'; and
- Revised Conceptual Framework for Financial Reporting.

No material impact was identified upon adoption of new and amended standards.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.4 Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 20 July 2020 reporting periods and have not been early adopted by the Company.

2.2 Revenue

The Company recognizes revenue based on a five-step model as set out in IFRS 15.

IFRS 15 requires that revenue is recognized from contracts with customers based on a five-step model as follows:

- Identification of contracts with customer;
- Identification of performance obligations in the contract;
- Determination of transaction price;
- Allocation of transaction price to performance obligations in the contract; and
- Recognition of revenue when the Company satisfies the performance obligation.

Revenue from coating services

Revenue is measured at the fair value of the consideration received or receivable net of returns, allowances and trade discounts for the rendering of the services in the ordinary course of the Company's activities.

The Company provides coating services on pipes provided by the customers. Revenue from coating services is recorded over time using the output method as the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The services are billed to the customer upon acknowledgment by the customer through third party inspection.

The Company does not have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

2.3 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in "Saudi Riyals", which is the Company's presentation as well as functional currency.

(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 other than Saudi Riyals are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

2 Summary of significant accounting policies (continued)

2.4 Zakat and taxes

In accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"), the Company is subject to zakat attributable to the Saudi shareholding and income tax attributable to the foreign shareholding in the Company. Provisions for zakat and income tax are charged to profit or loss. Additional amounts, if any, are accounted for when determined to be required for payment. Further, the amounts for zakat and income tax expense are presented in the statement of changes in equity in accordance with the guidance issued by SOCPA for companies with mixed ownership in line with the terms of the agreement between the shareholders of the Company.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred income tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Company withholds tax on certain transactions with non-resident parties in the Kingdom of Saudi Arabia, including dividends payment to the foreign shareholder, as required under the Saudi Arabian Income Tax Law.

2.5 Cash and cash equivalents

For the purpose of statement of financial position and presentation in the statement of cash flows, cash and cash equivalents include cash in hand, cash at banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2 Summary of significant accounting policies (continued)

2.6 Financial instruments

2.6.1 Financial assets

a) Classification

The Company classifies its financial assets as measured at amortised cost. See Note 22 for details of each type of financial asset. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

b) Recognition and derecognition

At initial recognition, the Company measure financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset. Transactions cost of financial assets carried at fair value through profit or loss are expensed in profit or loss.

The Company derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

c) Measurement

Subsequent measurement of financial assets depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest are measure at amortised cost. A gain or loss on a financial instrument that is subsequently measured at amortized cost and is not part of the hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is calculated using the effective interest rate method.

2.6.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest rate method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss.

2.7 Impairment of financial assets

The Company assesses on a forward looking basis the Expected Credit Loss ("ECL") associated with its financial assets carried at amortized cost. Refer Note 21, which details how the Company determines whether there has been a change in credit risk.

For trade receivables, contract assets and other financial assets, the Company applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables. The amount of the loss is charged to profit or loss.

The loss rates are based on probability of default based on historical trends relating to collections of Company's trade receivables. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

2 Summary of significant accounting policies (continued)

2.7 Impairment of financial assets (continued)

Trade receivables and contract assets are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant decrease in credit worthiness of the customer, the failure of the customer to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 730 days past due.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in profit or loss.

2.8 Trade receivables

Trade receivables are amounts due from customers for products sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less allowance for ECL.

2.9 Inventories

Inventories principally represent spare parts and consumables, which are stated at cost. Costs of inventories comprise all costs of purchase plus other charges incurred thereon. Costs are assigned to individual items of inventory on the basis of weighted average costs.

Spare parts and supplies not held for sale are carried at cost less any provision for inventory obsolescence. Provision for inventory obsolescence is made considering various factors including age of the inventory items, historic sale trends and expected turnover in future.

2.10 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on property, plant and equipment to allocate its cost, less estimated residual value, on a straight-line basis over the estimated useful lives of the assets. The depreciation expense is recognised in profit or loss in the expense category consistent with the function of the property, plant and equipment.

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. Major spare parts qualify for recognition as property, plant and equipment when the Company expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use.

2 Summary of significant accounting policies (continued)

2.10 Property, plant and equipment (continued)

Assets in the course of construction or development are capitalised in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of capital work-in-progress intended by management. Capital work-in-progress is not depreciated.

2.11 Leases

At the inception of the contract the Company assesses whether a contract is or contains a lease. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease liabilities

The lease liability is initially measured at the net present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the individual lessee, which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security.

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

2 Summary of significant accounting policies (continued)

2.11 Leases (continued)

Lease liabilities *(continued)*

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 "Provisions, contingent liabilities and contingent assets". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 "Impairment of Assets" to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the profit or loss.

2.12 Impairment of non-financial assets excluding inventories

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash-Generating Unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

2 Summary of significant accounting policies (continued)

2.13 Share capital

Ordinary shares are classified as equity.

2.14 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.15 Borrowings

Borrowings are initially recognised at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, long-term borrowings are measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as "other income" or "financial costs".

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

2.16 Employee benefit obligations

The Company operates a single post-employment benefit scheme of defined benefit plan driven by the Labor Law of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plan is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income and transferred to retained earnings in the statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the Labor Law of Kingdom of Saudi Arabia.

3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates and judgments 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 revenue and expenses during the reporting period.

a) Useful lives of property, plant and equipment

The management determines the estimated useful lives of property, plant and equipment for computing depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. At period-end, if the useful life increased / decreased by 10% against the current useful life with all other variables held constant, profit for the period would have been Saudi Riyals 0.8 million lower or Saudi Riyals 0.9 million higher.

b) Impairment of non-current assets

Management assess the impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors which could trigger an impairment review include evidence from internal and external sources related to the changes in technological, market, economic or legal environment in which the entity operates, changes in market interest rates and economic performance of the assets. As at 20 July 2020, management has assessed the impairment indicators and did not identify any impairment indicators.

c) Right-of-use assets and lease liabilities

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

4 Correction of material error in revenue recognition

During the years ended 31 March 2019 and 2020, the Company recorded its revenue at a point in time basis. During the period from 1 April 2020 to 20 July 2020, the Company reassessed its contracts with customers and concluded to recognize its revenue on an over time basis to appropriately reflect the underlying contractual agreements between the Company and its customers. The error resulted in a material understatement of revenue and cost of revenue recognised for the year ended 31 March 2020 and a corresponding misclassification of "assets recognized as costs to fulfil a contract" presented under trade and other receivables as of 31 March 2020, which is now classified as "contract assets" under trade and other receivables".

(All amounts in Saudi Riyals unless otherwise stated)

4 Correction of material error in revenue recognition (continued)

Management of the Company has corrected such error by restating the comparative financial information as follows:

Statement of profit or loss and other comprehensive income for the year ended 31 March 2020:

	As previously stated	Effect of restatement	As restated
Revenue	122,117,651	15,279,943	**137,397,594**
Cost of revenue	99,403,440	15,279,943	**114,683,383**

Statement of financial position as at 31 March 2020:

	Trade and other receivables
As previously stated	**23,776,670**
Derecognition of assets recognized as costs to fulfil a contract	**(15,279,943)**
Recognition of contract assets	**15,279,943**
As restated	**23,776,670**

The margins on such revenue was not material and hence was not recognized in the statement of profit or loss and other comprehensive income for the year ended 31 March 2020. Accordingly, there was no material impact of such non-recognition of margin on the opening accumulated losses as of 1 April 2019, statement of financial position as of 31 March 2020 and on the statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the year then ended.

5 Revenue

	For the period from 1 April 2020 to 20 July 2020	For the year ended 31 March 2020 (Restated - Note 4)
Revenue - recognised over time	**39,448,929**	137,397,594

(All amounts in Saudi Riyals unless otherwise stated)

6 Cost of revenue

	Note	For the period from 1 April 2020 to 20 July 2020	For the year ended 31 March 2020 (Restated - Note 4)
Cost of materials		**25,976,595**	78,515,379
Depreciation	12, 13	**2,540,798**	8,331,328
Salaries and benefits		**2,168,700**	10,015,560
Equipment rent		**1,097,671**	6,180,449
Utilities		**709,331**	4,580,308
Provision (reversal) for inventory obsolescence	11	**92,004**	(39,307)
Sub-contractors costs		**-**	2,902,152
Other		**536,142**	4,197,514
		33,121,241	114,683,383

7 General and administrative expenses

	Note	For the period from 1 April 2020 to 20 July 2020	For the year ended 31 March 2020
Salaries and benefits		**648,806**	2,731,860
License fee		**79,935**	85,597
Depreciation	12, 13	**63,690**	191,326
Professional fee		**51,671**	277,858
Repair		**47,744**	222,579
Rent and utilities		**16,321**	469,936
Cleaning charges		**11,129**	70,313
Other		**95,056**	111,139
		1,014,352	4,160,608

(All amounts in Saudi Riyals unless otherwise stated)

8 Financial costs

	Note	For the period from 1 April 2020 to 20 July 2020	For the year ended 31 March 2020
Financial costs on loan from shareholders	20	**509,524**	3,768,096
Financial costs on lease liabilities	17	**39,087**	121,615
Amortization of deferred charges		**-**	513,622
Other		**76,070**	301,539
		624,681	4,704,872

9 Cash and cash equivalents

	20 July 2020	31 March 2020
Cash in hand	**26,714**	26,714
Cash at bank	**-**	1,633,926
	26,714	1,660,640

10 Trade and other receivables

	Note	20 July 2020	31 March 2020
Trade receivables:			
Trade		**10,297,904**	4,486,769
ECL allowance		**(243,251)**	(243,251)
		10,054,653	4,243,518
Contract assets	4	**12,747,253**	15,279,943
Advances to suppliers		**658,212**	3,483,725
Advances to employees		**376,225**	192,344
Prepaid expenses		**223,652**	523,666
Related party	20	**53,474**	53,474
		24,113,469	23,776,670

10 Trade and other receivables (continued)

The Company applies the simplified approach to measure ECL which uses a lifetime expected loss allowance for all trade receivables and other financial assets. To measure the ECL allowance, trade receivables have been computed based on shared credit risk characteristics and the days past due. The ECL allowance based on the loss rates for the age brackets was not material.

(a) The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to the credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

(b) The carrying amounts of the Company's trade and other receivables are denominated in Saudi Riyals.

(c) The ageing analysis of the trade receivable is as follows:

	20 July 2020	**31 March 2020**
Up to 90 days	**6,995,765**	3,005,438
91 to 180 days	**1,933,068**	152,432
181 days to 365 days	**-**	1,052,206
366 days to 730 days	**1,369,071**	276,693
	10,297,904	4,486,769

The expected loss rates are based on the collection profiles of sales over a period of 48 month before 20 July 2020 and 31 March 2020 respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the country in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

(d) Contract assets are initially recognised for revenue earned from providing of services and is conditional on successful completion of work. Upon completion of services, the amounts recognised as contract assets are reclassified to trade receivables.

As at 20 July 2020, aggregate amount of the transaction price that are partially or fully unsatisfied is Saudi Riyals 0.1 million (31 March 2020: Nil). Management expects that 100% of the transaction price allocated to the unsatisfied contracts as at 20 July 2020 will be recognised as revenue during the year ending 31 March 2021.

The Company applies the simplified approach to measure ECL which uses a lifetime expected loss allowance for contract assets. As at 20 July 2020, the ECL allowance on contract assets was immaterial.

(e) The Company does not hold any collateral as security.

(All amounts in Saudi Riyals unless otherwise stated)

11 Inventories

	20 July 2020	31 March 2020
Consumables	**10,332,327**	13,489,242
Spare parts and supplies, not held for sale	**4,769,819**	4,623,800
	15,102,146	18,113,042
Less: provision for inventory obsolescence	**(1,171,350)**	(1,079,346)
	13,930,796	17,033,696

Movement in provision for inventory obsolescence is as follows:

	20 July 2020	31 March 2020
At 1 April	**1,079,346**	1,118,653
Provision (reversal)	**92,004**	(39,307)
At 20 July / 31 March	**1,171,350**	1,079,346

12 Property, plant and equipment

	1 April 2020	Additions	Disposals	20 July 2020
Cost				
Buildings and leasehold improvements	24,290,605	-	-	**24,290,605**
Plant and machinery	128,242,815	-	-	**128,242,815**
Furniture, fixtures and office equipment	549,309	9,830	-	**559,139**
Capital work-in-progress	180,000	570,444	-	**750,444**
	153,262,729	580,274	-	**153,843,003**
Accumulated depreciation				
Buildings and leasehold improvements	(10,738,129)	(405,953)	-	**(11,144,082)**
Plant and machinery	(62,260,673)	(2,114,954)	-	**(64,375,627)**
Furniture, fixtures and office equipment	(528,764)	(6,439)	-	**(535,203)**
	(73,527,566)	(2,527,346)	-	**(76,054,912)**
Net book value	79,735,163			**77,788,091**

	1 April 2019	Additions	Disposals	31 March 2020
Cost				
Buildings and leasehold improvements	24,290,605	-	-	24,290,605
Plant and machinery	128,043,695	199,120	-	128,242,815
Furniture, fixtures and office equipment	541,081	8,228	-	549,309
Capital work-in-progress	-	180,000	-	180,000
	152,875,381	387,348	-	153,262,729
Accumulated depreciation				
Buildings and leasehold improvements	(9,523,599)	(1,214,530)	-	(10,738,129)
Plant and machinery	(55,202,669)	(7,058,004)	-	(62,260,673)
Furniture, fixtures and office equipment	(510,071)	(18,693)	-	(528,764)
	(65,236,339)	(8,291,227)	-	(73,527,566)
Net book value	87,639,042			79,735,163

(All amounts in Saudi Riyals unless otherwise stated)

12 Property, plant and equipment (continued)

Depreciation is calculated on straight line basis over the following estimated useful lives of the assets:

	Number of years
• Buildings and leasehold improvements	10 - 20
• Plant and machinery	2 - 20
• Furniture, fixtures and office equipment	2 - 5

13 Right-of-use assets

The Company has recorded right-of-use asset related to a land lease. The movement is as follows:

	20 July 2020	31 March 2020
Cost		
20 July 2020 and 31 March 2020	**2,777,123**	2,777,123
Accumulated depreciation		
1 April 2019	**(231,427)**	-
Depreciation for the period / year	**(77,142)**	(231,427)
	(308,569)	(231,427)
Net book value		
At 20 July 2020 and 31 March 2020	**2,468,554**	2,545,696

The Company has lease in respect of a land. Rental contracts are typically made for a fixed period and an extension option is considered where the Company's management is reasonably certain to exercise.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets are not be used as security for borrowing purposes

During the period ended 20 July 2020 and the year ended 31 March 2020, the Company does not have any short-term or low value leases.

14 Share capital

The share capital of the Company as of 20 July 2020 and 31 March 2020 comprised of 33,765,625 shares stated at Saudi Riyals 1 per share owned as follows:

		Shareholding percentage	
	Country of incorporation	20 July 2020	31 March 2020
Welspun Mauritius Holdings Ltd.	Mauritius	**50.01**	50.01
Aziz Company for Contracting & Industrial Investment	Saudi Arabia	**28.50**	28.50
Vision International Investment Co.	Saudi Arabia	**16.50**	16.50
Mohawareen Industrial Services	Saudi Arabia	**4.99**	4.99
		100.00	100.00

On 1 November 2019, the shareholding of the Company was changed and, accordingly, the Company amended its Articles of Association and foreign investment license issued by the Ministry of Investment to reflect the change in its shareholders.

(All amounts in Saudi Riyals unless otherwise stated)

15 Statutory reserve

In accordance with the Company's Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the annual profit for the year, after adjusting its accumulated losses, to a statutory reserve until such reserve equals 30% of share capital. This reserve currently is not available for distribution to the shareholders of the Company. No transfer was made for the period ended 20 July 2020 and year ended 31 March 2020 due to accumulated losses as at 20 July 2020 and 31 March 2020.

16 Trade and other payables

	Note	20 July 2020	31 March 2020
Related parties	20	**109,860,138**	89,857,068
Trade payables		**7,112,906**	17,827,211
Advances from customers		**1,626,358**	70,038
Value added tax		**1,334,717**	2,072,630
Accrued expenses		**1,323,837**	2,230,952
Salaries and benefits		**933,018**	817,658
		122,190,974	112,875,557

17 Lease liabilities

	20 July 2020	31 March 2020
Future minimum lease payments	**3,600,000**	3,600,000
Less: repayment of minimum lease payments	**(300,000)**	(300,000)
	3,300,000	3,300,000
Less: future financial costs not yet due	**(662,175)**	(701,262)
Net present value of minimum lease payment	**2,637,825**	2,598,738

Movement in lease liabilities is as follows:

	20 July 2020	31 March 2020
At 1 April	**2,598,738**	-
Initial recognition of lease liabilities upon adoption of IFRS 16	**-**	2,777,123
Accretion of financial costs during the period / year	**39,087**	121,615
Payments made during the period / year	**-**	(300,000)
At 20 July / 31 March	**2,637,825**	2,598,738

18 Employee benefit obligations

18.1 General description of the plan

The Company operates a defined benefit plan in line with the Labor Law requirements in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labor Laws of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment. An independent actuary carried out latest valuation of employee benefit obligations under the projected unit credit method as at 20 July 2020.

(All amounts in Saudi Riyals unless otherwise stated)

18 Employee benefit obligations (continued)

18.1 General description of the plan (continued)

	20 July 2020	**31 March 2020**
At 1 April	**2,804,250**	2,214,920
Current service cost	**131,790**	350,630
Interest expense	**32,720**	90,570
Payments	**-**	(167,660)
Remeasurements	**507,210**	315,790
At 20 July / 31 March	**3,475,970**	2,804,250

18.2 Amounts recognised in the statement of comprehensive income

The amounts recognised in the statement of comprehensive income related to employee benefit obligations are as follows:

	For the period from 1 April 2020 to 20 July 2020	**For the year ended 31 March 2020**
Current service cost	**131,790**	350,630
Interest expense	**32,720**	90,570
Total amount recognised in profit or loss	**164,510**	441,200
Remeasurements		
Loss from change in financial assumptions	**541,550**	272,200
Experience (gains) losses	**(34,340)**	43,590
Total amount recognised in other comprehensive income	**507,210**	315,790

18.3 Key actuarial assumptions

	20 July 2020	**31 March 2020**
Discount rate	**2.3%**	3.5%
Salary growth rate	**3.0%**	3.0%

18.4 Sensitivity analysis for actuarial assumptions

	Change in assumption		**Impact on employee benefit obligations**	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	1%	(459,700)	559,530
Salary growth rate	1%	1%	549,520	(460,940)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

(All amounts in Saudi Riyals unless otherwise stated)

19 Zakat and income tax matters

19.1 Components of approximate zakat base attributable to Saudi shareholders

	20 July 2020	31 March 2020
Equity at beginning of period / year	**(21,774,828)**	(28,418,357)
Provisions at beginning of period / year	**2,063,011**	1,704,241
Adjusted profit for the period / year	**2,282,804**	7,181,843
Borrowings	**14,531,084**	38,295,326
Lease liabilities	**1,318,649**	2,598,738
Property, plant and equipment, as adjusted	**(38,886,267)**	(39,859,608)
Right-of-use assets, as adjusted	**(1,234,030)**	(1,272,593)
Other	**(2,384,433)**	(2,311,437)
Approximate zakat base	**(44,084,010)**	(22,081,847)

Zakat is payable at 2.578% of the zakat base, excluding adjusted profit for the year, attributable to the Saudi shareholder. Zakat on adjusted profit for the year is payable at 2.5%.

19.2 Zakat and income tax payable

	Zakat	Income tax	Total
At 1 April 2020	179,546	1,387,890	**1,567,436**
Provision for the period	57,070	432,896	**489,966**
Payment	(179,680)	(1,387,364)	**(1,567,044)**
At 20 July 2020	56,936	433,422	**490,358**

	Zakat	Income tax	Total
At 1 April 2019	-	-	-
Provision for the year	179,546	1,387,890	1,567,436
At 31 March 2020	179,546	1,387,890	1,567,436

19.3 Temporary differences

	For the period from 1 April 2020 to 20 July 2020	For the year ended 31 March 2020
Profit before zakat and income tax	**5,114,265**	13,964,668
- Employee obligation benefits	**164,510**	441,200
- Other	**(712,254)**	(39,308)
Adjusted net income for the period / year for zakat purpose	**4,566,521**	14,366,560

(All amounts in Saudi Riyals unless otherwise stated)

19 Zakat and income tax matters (continued)

19.4 Numerical reconciliation of income tax expense to prima facie tax payable

	For the period from 1 April 2020 to 20 July 2020	For the year ended 31 March 2020
Profit before zakat and income tax	**5,114,265**	13,964,668
Income tax rate applicable to the Company	**20%**	20%
Effective shareholding subject to income tax	**50.01%**	50.01%
Income tax on effective shareholding	**511,529**	1,396,746
Reconciliation:		
Deferred tax not recorded	**(78,633)**	(8,856)
	432,896	1,387,890

19.5 Status of certificates and final assessments

The Company has obtained final assessments from GAZT for the years through 2010. The assessments for the years from 2011 through 2020 are currently under review by GAZT. The Company has obtained zakat and income tax certificates for the years through 2020.

19.6 Deferred tax assets

As at 20 July 2020, the Company's unused tax losses of Saudi Riyals 50.5 million (31 March 2020: Saudi Riyals 51.2 million) and deductible temporary differences of Saudi Riyals 7.5 million (31 March 2020: Saudi Riyals 6.7 million) were not used for the recognition of net deferred tax assets. The net deferred tax assets were not recognised due to the uncertainty of admissibility of transfer of unused tax losses of the Company upon merger with WMEP. Also see Note 1.

20 Related party transactions and balances

Related parties comprise the shareholders, directors, associated companies and key management personnel. Related parties also include business entities in which shareholders have an interest ("other related parties").

The shareholders' agreement requires qualified majority voting for all key decisions. Accordingly, the Company is jointly-controlled by the major shareholders i.e. Welspun Mauritius Holdings Company Ltd. (50.01%), Aziz Company for Contracting & Industrial Investment (28.5%) and Vision International Investment Co (16.5%). Welspun Mauritius Holdings Company Ltd. is ultimately controlled by Welspun Corp Limited.

(All amounts in Saudi Riyals unless otherwise stated)

20 Related party transactions and balances (continued)

(a) Following are the significant transactions entered by the Company:

	For the period from 1 April 2020 to 20 July 2020	For the year ended 31 March 2020
Nature of transactions and relationship		
Purchases and other related services from the shareholder	**68,993**	436,984
Cost charged to associated companies	**184,031**	1,167,896
Cost charged by the shareholders	**4,990**	124,610
Financial costs charged by the shareholders	**509,524**	3,768,096
Sales to an associated company	-	20,433,477
Purchases and other related services from the associated companies	-	2,918,956

(b) Key management personnel compensation:

	For the period from 1 April 2020 to 20 July 2020	For the year ended 31 March 2020
Salaries and other short-term employee benefits	**81,858**	354,806
Post-employment benefits	**4,698**	18,064
	86,556	372,870

(c) Loans from shareholders

	20 July 2020	31 March 2020
Welspun Mauritius Holdings Company Ltd.	**14,023,443**	24,023,443
Aziz Company for Contracting & Industrial Investment	**6,755,724**	13,756,996
Vision International Investment Co.	**8,256,996**	11,255,724
	29,036,163	49,036,163
Accrued financial costs related to loans from shareholders	**1,151,360**	641,836
	30,187,523	49,677,999

These represent funding obtained from shareholders which carry financial charges at prevailing market rates. These loans are due for repayment within twelve months from the reporting date.

(d) Outstanding balances arising from sales / purchases of goods and services

(i) Due from a related party

Due from a related party at 20 July 2020 and 31 March 2020 represent amounts due from Aziz European Pipe Factory.

(ii) Due to related parties

	20 July 2020	31 March 2020
WMEP	**109,811,660**	89,825,250
Arabian Pipeline Projects Company	**31,818**	31,818
Welspun Corp Limited	**11,670**	-
Mohawareen Industrial Services	**4,990**	-
	109,860,138	89,857,068

21 Financial risk management

21.1 Financial risk factors

The Company's activities expose it to a variety of financial risks including the effects of changes in market risk (including currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by the management under policies approved by the board of directors.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Senior management has overall responsibility for the establishment and oversight of the Company's risk management framework and is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

(a) Market risk

(i) Foreign exchange risk

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 primarily in Saudi Riyals and United States dollars. Since Saudi Riyal is pegged to United States dollars, management of the Company believes that the currency risk for the financial instruments is not significant.

(ii) Fair value and cash flow interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company borrows at interest rates on commercial terms.

Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. During the period from 1 April 2020 to 20 July 2020 and the year ended 31 March 2020, the Company's borrowings were denominated in Saudi Riyals.

The Company's receivables and fixed rate borrowings (loans from shareholders) carried at amortised cost are not subject to interest rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates. Hence, the Company is not exposed to fair value interest rate risk.

The Company is not exposed to cash flow interest rate risk at 20 July 2020.

21 Financial risk management (continued)

21.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company's financial assets and liabilities are not exposed to price risk.

(b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk in respect of:

- Payment of trade receivables; and
- Contractual cash flows related to other financial assets carried at amortised costs.

Trade receivables:

Concentration of credit risk arises when several counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting an industry or geographical location. At 20 July 2020, 99.9% of trade receivables were due from two customers (31 March 2020: 99.9% of trade receivables were due from three customers). Management believes that this concentration of credit risk is mitigated as the customers have established track record of regular and timely payments.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivable. The Company has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of receivables.

The Company establishes ECL allowance that represents its estimate of potential losses in respect of trade and other receivables. The main components of this loss are a specific loss component that relates to individual exposures and a collective loss component established for similar assets in respect of any potential losses that may have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry in which customers operate, has less of an influence on credit risk.

Credit risk on related parties is considered minimal as management monitors and reconciles amounts due from related parties on a regular basis and recoverability is not considered to be doubtful. Management does not expect any losses from non-performance by such related parties. At 20 July 2020, the ECL allowance on related party receivables was immaterial.

Other financial assets and contract assets carried at amortised costs:

Other financial assets at amortised cost include other receivables. The contract assets and other financial assets are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Management consider 'low credit risk' for other receivables and contract assets. At 20 July 2020, the ECL allowance on other financial assets and contract assets was immaterial.

(All amounts in Saudi Riyals unless otherwise stated)

21 Financial risk management (continued)

21.1 Financial risk factors (continued)

(b) Credit risk (continued)

Cash at banks:

For banks, parties generally with a minimum rating of P-1 are accepted. The stated rating is as per the global bank ratings by Moody's Investors Service. Management does not expect any losses from non-performance by these counterparties.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Company has access to credit facilities.

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal ratio targets.

The table below analyses the Company's financial liabilities into the relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

(c) Liquidity risk

	Less than one year	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
20 July 2020					
Lease liabilities	300,000	300,000	900,000	1,800,000	**3,300,000**
Loans from shareholders	31,327,690	-	-	-	**31,327,690**
Trade and other payables	119,229,899	-	-	-	**119,229,899**
	150,857,589	300,000	900,000	1,800,000	**153,857,589**

	Less than one year	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
31 March 2020					
Lease liabilities	300,000	300,000	900,000	1,800,000	3,300,000
Loans from shareholders	2,574,399	51,610,562	-	-	54,184,961
Trade and other payables	111,374,725	-	-	-	111,374,725
	114,249,124	51,910,562	900,000	1,800,000	168,859,686

21.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

(All amounts in Saudi Riyals unless otherwise stated)

21 Financial risk management (continued)

21.3 Net debt reconciliation

The net debt of the Company is as follows:

	20 July 2020	31 March 2020
Cash and cash equivalents	**26,714**	1,660,640
Loans from shareholders	**(29,036,163)**	(49,036,163)
Lease liabilities	**(2,637,825)**	(2,598,738)
Net debt	**(31,647,274)**	(49,974,261)

The Company's net debt reconciliation is as follows

	Cash and cash equivalents	Loans from shareholders	Long-term borrowings	Lease liabilities	Total
At 1 April 2019	249,124	(79,036,162)	(3,263,378)	-	(82,050,416)
Recognition on adoption of IFRS 16	-	-	-	(2,777,123)	(2,777,123)
Cash flows	1,411,516	29,999,999	3,263,378	178,385	34,853,278
At 31 March 2020	1,660,640	(49,036,163)		(2,598,738)	(49,974,261)
Cash flows	(1,633,926)	20,000,000	-	-	**18,366,074**
Other	-	-	-	(39,087)	**(39,087)**
At 20 July 2020	26,714	(29,036,163)	-	(2,637,825)	**(31,647,274)**

22 Categories of financial instruments

The accounting policies for financial instruments have been applied to the line items below:

	Financial assets carried at amortised cost	
	20 July 2020	31 March 2020
Assets as per statement of financial position		
Trade and other receivables	**10,108,127**	4,296,992
Cash and cash equivalents	**26,714**	1,660,640
Total	**10,134,841**	5,957,632

	Financial liabilities carried at amortised cost	
	20 July 2020	31 March 2020
Liabilities as per statement of financial position		
Loans from shareholders	**30,187,523**	49,677,999
Trade and other payables	**119,229,899**	111,374,725
Total	**149,417,422**	161,052,724

For the purpose of the financial instruments disclosure, non-financial assets and non-financial liabilities amounting to Saudi Riyals 14.0 million and Saudi Riyals 3.0 million respectively (31 March 2020: Saudi Riyals 16.2 million and Saudi Riyals 1.5 million respectively) have been excluded from trade and other receivables and trade and other payables, respectively.

23 Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The Company has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements. Management regularly reviews significant unobservable inputs and valuation adjustments.

As at 20 July 2020 and 31 March 2020, the fair values of the Company's financial instruments are estimated to approximate their carrying values since the financial instruments which do not bear interest are short term in nature and are expected to be realized at their current carrying values within twelve months from the date of statement of financial position, while the financial instruments which bear interest are at variable interest rates, adjusted in line with prevailing market rates.

24 Events after the reporting date

No events have arisen subsequent to 20 July 2020 and before the date of signing the independent auditor's audit report, that could have a significant effect on the financial statements as at 20 July 2020.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(FORMERLY 'WELSPUN MIDDLE EAST PIPES COMPANY')
(A CLOSED JOINT STOCK COMPANY)

PRO FORMA FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 MARCH 2021

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A Closed Joint Stock Company)
PRO FORMA FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 MARCH 2021

Independent practitioner's assurance report on the compilation of pro forma financial information included in the prospectus

To the Shareholders of East Pipes Integrated Company for Industry (formerly known as 'Welspun Middle East Pipes Company')

Report on the compilation of pro forma financial information

We have completed our assurance engagement to report on the compilation of pro forma financial information of East Pipes Integrated Company for Industry (formerly known as 'Welspun Middle East Pipes Company') (the "Company") by the Company's management. The pro forma financial information consists of the pro forma statement of profit or loss and other comprehensive income for the year ended 31 March 2021, the pro forma statement of financial position as at 31 March 2021, and the pro forma statement of changes in equity and the pro forma statement of cash flows for the year then ended, and related notes ("pro forma financial information"). The applicable criteria on the basis of which the management has compiled the pro forma financial information are specified in Annex 9, Annex 15 and Article 28 of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority of the Kingdom of Saudi Arabia and described in Note 2 to the accompanying pro forma financial information (the "applicable criteria").

The pro forma financial information has been compiled by the management to illustrate the impact of the merger between the Company and Welspun Middle East Pipes Coating Company (the "Transaction"), as set out in Note 2 to the pro forma financial information, on the Company's financial position as at 31 March 2021 and its financial performance and its cash flows for the year then ended, as if the Transaction had taken place on 1 April 2017. As part of this process, information about the Company's financial position, financial performance and cash flows has been extracted by the management from the audited financial statements of the Company as at and for the year ended 31 March 2021, on which an unqualified audit report dated 24 June 2021 has been issued.

Management's responsibility for the pro forma financial information

Management is responsible for compiling the pro forma financial information on the basis of the applicable criteria described in Note 2 to the pro forma financial information and in accordance with the requirements of Annex 9, Annex 15 and Article 28 of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority of the Kingdom of Saudi Arabia.

Our independence and quality control

We have complied with the independence requirements of the code of professional conduct and ethics, as endorsed in the Kingdom of Saudi Arabia, and the ethical requirements that are relevant to our reasonable assurance engagement in the Kingdom of Saudi Arabia, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies International Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements", endorsed in the Kingdom of Saudi Arabia, and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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pwc

Independent practitioner's assurance report on the compilation of pro forma financial information included in the prospectus (continued)

Practitioner's responsibilities

Our responsibility is to express an opinion, as required by Annex 9, Annex 15 and Article 28 of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority of the Kingdom of Saudi Arabia, about whether the pro forma financial information has been compiled, in all material respects, by the management on the basis of the applicable criteria described in Note 2 to the pro forma financial information.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in a Prospectus", as endorsed in the Kingdom of Saudi Arabia. This standard requires that the practitioner plan and perform procedures to obtain reasonable assurance about whether the management has compiled, in all material respects, the pro forma financial information on the basis of the applicable criteria described in Note 2 to the pro forma financial information.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction would have been as presented as at and for the year ended 31 March 2021.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the management in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the Company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion, the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria set out in Note 2 to the pro forma financial information.

PricewaterhouseCoopers

Ali H. Al Basri
License Number 409

15 July 2021

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Pro forma statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 March 2021 (Pro forma)	2020 (Pro forma)	2019 (Pro forma)
Revenue	5	**974,955,263**	1,767,629,062	735,235,076
Cost of revenue	6	**(738,430,611)**	(1,408,494,666)	(763,109,671)
Gross profit (loss)		**236,524,652**	359,134,396	(27,874,595)
General and administrative expenses	7	**(13,871,654)**	(16,843,907)	(19,275,393)
Selling and marketing expenses	8	**(5,546,803)**	(7,657,200)	(11,516,183)
Expected credit loss allowance	14	**(2,498,273)**	(3,927,679)	(243,251)
Other operating (expenses) income - net		**(1,190,178)**	2,714,979	1,289,152
Operating profit (loss)		**213,417,744**	333,420,589	(57,620,270)
Financial costs	9	**(32,635,703)**	(52,905,929)	(32,872,095)
Profit (loss) before zakat and income tax		**180,782,041**	280,514,660	(90,492,365)
Zakat (expense) credit	23	**(5,653,262)**	(4,756,573)	116,829
Income tax (expense) credit	23	**(22,238,457)**	(26,427,036)	2,935,625
Profit (loss) for the year		**152,890,322**	249,331,051	(87,439,911)
Other comprehensive income				
Item that will not be reclassified to profit or loss				
Re-measurements of employee benefit obligations	20	**(1,016,632)**	(1,589,160)	(1,626,000)
Total comprehensive income (loss) for the year		**151,873,690**	247,741,891	(89,065,911)
Earnings (loss) per share:				
Basic and diluted earnings (loss) per share	28	**15.08**	32.79	(11.50)

The accompanying notes form an integral part of this pro forma financial information.

Ali Al-Khateeb
Chief Financial Officer

Idhah Zahrani
General Manager – Marketing & Sales

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Pro forma statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

		As at 31 March		
	Note	**2021 (Pro forma)**	**2020 (Pro forma)**	**2019 (Pro forma)**
Assets				
Non-current assets				
Property, plant and equipment	10	**277,380,520**	309,467,799	341,176,301
Right-of-use assets	11	**26,828,566**	33,830,737	-
Intangible assets	12	**17,563**	126,149	331,800
Deferred tax asset	23	**-**	-	2,935,625
Total non-current assets		**304,226,649**	343,424,685	344,443,726
Current assets				
Inventories	13	**114,495,319**	192,817,490	207,029,354
Trade and other receivables	14	**357,810,654**	576,450,033	333,181,320
Zakat and income tax refundable	23	**-**	-	3,168,226
Cash and cash equivalents	15	**42,316,443**	70,784,760	16,486,544
Total current assets		**514,622,416**	840,052,283	559,865,444
Total assets		**818,849,065**	1,183,476,968	904,309,170
Equity and liabilities				
Equity				
Share capital	16	**210,000,000**	76,046,875	76,046,875
Statutory reserve	17	**30,559,857**	15,733,255	-
Retained earnings (accumulated losses)		**277,057,213**	140,010,130	(91,998,506)
Total equity		**517,617,070**	231,790,260	(15,951,631)
Liabilities				
Non-current liabilities				
Long-term borrowings	18	**-**	-	37,500,000
Loans from shareholders	24	**-**	154,918,559	184,918,558
Lease liabilities	19	**21,706,377**	27,519,951	-
Deferred tax liability	23	**8,003,312**	738,776	-
Employee benefit obligations	20	**16,630,028**	14,837,390	11,432,670
Trade and other payables	22	**-**	-	38,371,501
Total non-current liabilities		**46,339,717**	198,014,676	272,222,729
Current liabilities				
Trade and other payables and accrued financial costs related to shareholders' loans	22	**109,569,256**	215,520,853	386,047,742
Current portion of long-term borrowings	18	**-**	70,739,125	74,866,405
Current portion of loans from shareholders	24	**3,164,468**	-	-
Current portion of lease liabilities	19	**5,932,328**	6,803,191	-
Short-term borrowings	21	**130,408,779**	436,427,715	187,123,925
Zakat and income tax payable	23	**5,817,447**	24,181,148	-
Total current liabilities		**254,892,278**	753,672,032	648,038,072
Total liabilities		**301,231,995**	951,686,708	920,260,801
Total equity and liabilities		**818,849,065**	1,183,476,968	904,309,170

The accompanying notes form an integral part of this pro forma financial information.

Ali Al-Khateeb
Chief Financial Officer

Idhah Zahrani
General Manager – Marketing & Sales

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Pro forma statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Welspun Mauritius Holdings Company Limited	Aziz Company for Contracting & Industrial Investment	Vision International Investment Co.	Mohawareen Industrial Services	Total
Share capital						
1 April 2018*, 31 March 2019 and 31 March 2020		38,031,042	21,673,360	12,547,734	3,794,739	76,046,875
Transfer from retained earnings	16	3	1	1	-	**5**
Transfer from loans from shareholders	16	66,989,955	38,176,639	22,102,265	6,684,261	**133,953,120**
31 March 2021		**105,021,000**	**59,850,000**	**34,650,000**	**10,479,000**	**210,000,000**
Statutory reserve						
1 April 2018*		12,807,154	7,298,618	4,225,516	1,277,898	25,609,186
Transfer to retained earnings	١٧	(12,807,154)	(7,298,618)	(4,225,516)	(1,277,898)	(25,609,186)
31 March 2019		-	-	-	-	-
Transfer to retained earnings	١٧	7,868,201	4,483,978	2,595,987	785,089	15,733,255
31 March 2020		7,868,201	4,483,978	2,595,987	785,089	15,733,255
Transfer to retained earnings	١٧	7,414,784	4,225,582	2,446,389	739,847	**14,826,602**
31 March 2021		**15,282,985**	**8,709,560**	**5,042,376**	**1,524,936**	**30,559,857**
Retained earnings (accumulated losses)						
1 April 2018*		(8,706,458)	(11,221,310)	(6,496,547)	(2,117,466)	(28,541,781)
Loss before zakat and income tax		(45,255,232)	(25,790,324)	(14,931,240)	(4,515,569)	(90,492,365)
Other comprehensive loss for the year	٢٠	(813,163)	(463,410)	(268,290)	(81,137)	(1,626,000)
Zakat and income tax expense	٢٣	2,935,625	66,606	38,561	11,662	3,052,454
Transfer to statutory reserve	١٧	12,807,154	7,298,618	4,225,516	1,277,898	25,609,186
31 March 2019		(39,032,074)	(30,109,820)	(17,432,000)	(5,424,612)	(91,998,506)
Profit before zakat and income tax		140,285,381	79,946,678	46,284,919	13,997,682	280,514,660
Other comprehensive loss	20	(794,739)	(452,911)	(262,211)	(79,299)	(1,589,160)
Zakat and income tax expense	23	(26,427,036)	(2,711,789)	(1,569,983)	(474,801)	(31,183,609)
Transfer to statutory reserve	١٧	(7,868,201)	(4,483,978)	(2,595,987)	(785,089)	(15,733,255)
31 March 2020		66,163,331	42,188,180	24,424,738	7,233,881	140,010,130

(continued)

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Pro forma statement of changes in equity (continued)
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Welspun Mauritius Holdings Company Limited	Aziz Company for Contracting & Industrial Investment	Vision International Investment Co.	Mohawareen Industrial Services	Total
Retained earnings (accumulated losses) (continued)						
Profit before zakat and income tax		90,409,098	51,522,882	29,829,037	9,021,024	**180,782,041**
Zakat and income tax expense	23	(22,238,457)	(3,223,004)	(1,865,950)	(564,308)	**(27,891,719)**
Other comprehensive loss	20	(508,418)	(289,740)	(167,744)	(50,730)	**(1,016,632)**
Transfer to retained earnings	16	(3)	-	(1)	(1)	**(5)**
Transfer to statutory reserve	١٧	(7,414,784)	(4,225,582)	(2,446,389)	(739,847)	**(14,826,602)**
31 March 2021		**126,410,767**	**85,972,736**	**49,773,691**	**14,900,019**	**277,057,213**
Total equity						
31 March 2021		**246,714,752**	**154,532,295**	**89,466,067**	**26,903,956**	**517,617,070**
31 March 2020		112,062,576	68,345,517	39,568,459	11,813,709	231,790,261
31 March 2019		(1,001,032)	(8,436,460)	(4,884,266)	(1,629,873)	(15,951,631)

**Share capital, statutory reserve and retained earnings (accumulated losses) as at 1 April 2018 are based on the previously issued pro forma financial information for the years ended 31 March 2020, 2019 and 2018. The retained earnings as at 1 April 201٨ include Saudi Riyals 19.2 million net liabilities of Welspun Middle East Pipes Coating Company as a result of merger adjustment as of 1 April 2017.*

The accompanying notes form an integral part of this pro forma financial information.

Ali Al-Khateeb
Chief Financial Officer

Idhah Zahrani
General Manager – Marketing & Sales

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Pro forma statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 March 2021 (Pro forma)	2020 (Pro forma)	2019 (Pro forma)
Cash flows from operating activities				
Profit (loss) before zakat and income tax		**180,782,041**	280,514,660	(90,492,365)
Adjustments for:				
Depreciation	10, 11	**41,123,027**	42,116,548	34,411,046
Amortization	12	**114,591**	215,651	212,449
Provision for inventory obsolescence	13	**740,789**	3,692,084	(257,838)
Gain on disposal of property and equipment		**-**	(36,451)	(102,373)
Expected credit loss allowance	14	**2,498,273**	3,927,679	243,251
Financial costs	9	**32,635,703**	52,905,929	32,872,095
Provision for employee benefit obligations	20	**1,591,773**	1,981,780	1,470,170
Changes in operating assets and liabilities:				
Decrease (increase) in inventories		**77,581,382**	10,519,780	(143,860,740)
Decrease (increase) in trade and other receivables		**216,141,106**	(247,196,392)	(255,430,202)
(Decrease) increase in trade and other payables and accrued financial costs related to shareholders' loans		**(105,309,761)**	(173,389,352)	261,713,658
Cash generated from (used in) operations		**447,898,924**	(24,864,703)	(159,220,849)
Financial costs paid		**(27,113,662)**	(86,907,028)	(21,747,897)
Employee benefit obligations paid	20	**(1,344,271)**	(638,540)	(240,150)
Zakat and income tax paid	23	**(43,107,260)**	(159,834)	-
Net cash inflow (outflow) from operating activities		**376,333,731**	(112,570,105)	(181,208,896)
Cash flows from investing activities				
Payments for purchases of property, plant and equipment	10	**(2,033,577)**	(3,306,837)	(23,558,717)
Payments for purchases of intangible assets	12	**(6,005)**	(10,000)	(39,529)
Proceeds from disposal of property and equipment		**-**	36,451	107,733
Net cash outflow from investing activities		**(2,039,582)**	(3,280,386)	(23,490,513)
Cash flows from financing activities				
Changes in short-term borrowings		**(305,840,944)**	247,917,891	187,123,925
Repayments of long-term borrowings		**(70,198,000)**	(41,277,000)	(26,973,000)
Proceeds from loans from shareholders		**7,365,578**	-	-
Repayments of loans from shareholders		**(27,365,578)**	(29,999,999)	-
Repayments of lease liabilities		**(6,723,522)**	(6,492,185)	-
Net cash (outflow) inflow from financing activities		**(402,762,466)**	170,148,707	160,150,925
Net change in cash and cash equivalents		**(28,468,317)**	54,298,216	(44,548,484)
Cash and cash equivalents at beginning of year		**70,784,760**	16,486,544	61,035,028
Cash and cash equivalents at end of year	15	**42,316,443**	70,784,760	16,486,544
Non-cash investing and financing activities:				
Increase in share capital against retained earnings	16	**5**	-	-
Increase in share capital through transfer of loans from shareholders	16	**133,953,120**	-	-
Recognition of right-of-use assets and corresponding lease liabilities (See Notes 11 and 19)				

The accompanying notes form an integral part of this pro forma financial information.

Ali Al-Khateeb
Chief Financial Officer

Idhah Zahrani
General Manager – Marketing & Sales

1 General information

East Pipes Integrated Company for Industry (formerly known as "Welspun Middle East Pipes Company") (the "Company") is engaged in manufacturing and sale of spiral steel pipes.

The Company was a limited liability company licensed under foreign investment license number 121031118992 issued by the Ministry of Investment on 22 Rajab 1431H (4 July 2010) operating under Commercial Registration ("CR") number 2050071522 issued in Dammam on 22 Rajab 1431H (4 July 2010). The Company changed its legal name from "Welspun Middle East Pipes Company" to "East Pipes Integrated Company for Industry". The legal formalities relating to such change of name were completed in January 2021 and the Company received the updated CR on 24 January 2021. The registered address of the Company is P.O. Box 12943, Dammam 31483, Kingdom of Saudi Arabia.

During 2019, the Board of Directors ("BoD") of the Company recommended to initiate legal formalities to file for the Company's Initial Public Offering ("IPO") with the relevant regulatory authorities in the Kingdom of Saudi Arabia. As of 31 March 2021, the IPO was subject to various approvals including approval from the shareholders of the Company.

On 10 September 2020, the BoD of the Company recommended to convert the Company from a limited liability company to a closed joint stock company. Based on the BoD recommendation, on 21 September 2020, the Company's shareholders resolved to convert the Company into a closed joint stock company. The legal formalities relating to such conversion were completed in September 2020 and the Company received the updated CR on 22 September 2020. Also see Note 16.

In response to the spread of the COVID-19 pandemic in the Gulf Cooperation Council and other territories where the Company and Welspun Middle East Pipes Coating Company ("WMEPC") operate and its consequential disruption to the social and economic activities in those markets, the management has proactively assessed the impacts on their operations and has taken a series of proactive and preventative measures, including activation of the crisis management team and associated processes to:

- ensure the health and safety of its employees.
- minimizing the impact of the pandemic on their operations and product supply to the market.

Notwithstanding these challenges, the Company and WMEPC were successful in maintaining stable operations while manoeuvring limited demand interruptions to maintain product flow to the market. The management believes that the COVID-19 pandemic, by itself, has had limited direct material effects on the Company reported results for the year ended 31 March 2021 and WMEPC's reported results from 1 April 2020 to 20 July 2020. The Company's management continues to monitor the situation closely.

2 Basis of preparation

The Company has prepared the accompanying pro forma financial information for the year ended 31 March 2021 to show the financial impact on its historical audited financial statements of the following transaction as if this transaction had taken place on 1 April 2017. The Company has also prepared the pro forma financial information for the years ended 31 March 2020, 2019 and 2018, for the six-month period ended 30 September 2020 and for the nine-month period ended 31 December 2020, to show the financial impact on its historical audited financial statements for the years ended 31 March 2020, 2019 and 2018, historical audited interim financial statements for the six-month period ended 30 September 2020 and historical reviewed interim financial statements for the nine-month period ended 31 December 2020 of the same transaction as if the transaction had taken place on 1 April 2017, which were approved by the BoD of the Company on 15 September 2020, 22 February 2021 and 21 April 2021, respectively.

On 14 May 2020, the Company's shareholders signed a merger agreement with WMEPC, a limited liability company registered in the Kingdom of Saudi Arabia, owned by the same Company's shareholders and with the same shareholding proportion ("common control") (the "Transaction" or "Merger"). The Merger was approved by the Ministry of Commerce on 21 July 2020 ("Effective date").

2 Basis of preparation (continued)

The Company's shareholders signed the merger agreement for the purpose of merging the two entities by way of absorption, whereby it was agreed to merge WMEPC's operations and transfer all its assets, rights, liabilities and obligations to the Company against no consideration. Subsequent to the Merger, WMEPC was registered as a branch of the Company.

The Merger is between the Company and WMEPC that are under common control. In the absence of guidance provided in International Financial Reporting Standards ("IFRS") on the accounting treatment for business combinations among entities under common control, management has elected to apply predecessor accounting as its accounting policy and plans to apply this policy consistently from period to period to all business combinations between entities under common control that are considered similar in nature. Based on above, the Company has applied the predecessor accounting prospectively in its financial statements for the year ended 31 March 2021 to account for the Merger. Under the terms of the above-mentioned merger agreement and in accordance with the predecessor accounting, the book values of WMEPC were used as the values for predecessor accounting. Due to absence of cash or non-cash consideration involved in the Merger, the aggregate carrying value of the net liabilities of WMEPC were included in equity under retained earnings for the year ended 31 March 2021.

The accompanying pro forma financial information is prepared for illustrative purposes only and the pro forma adjustments are based upon assumptions, which are described in the accompanying notes. Because of its nature, the pro forma financial information illustrates what the material impacts the Merger would have had on the historical audited financial statements if the Merger had consummated at an earlier point in time (i.e. 1 April 2017) and does not represent the Company's actual financial results or position.

For the preparation of the accompanying pro forma financial information for the year ended 31 March 2021, management has used the audited financial statements of the Company for the year ended 31 March 2021 prepared in accordance with IFRS, as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and WMEPC's audited financial statements for the period from 1 April 2020 to 20 July 2020 prepared in accordance with the IFRS, as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA. The auditors issued their audit report on the financial statements of the Company for the year ended 31 March 2021 dated 24 June 2021 and audit report on WMEPC's financial statements for the period from 1 April 2020 to 20 July 2020 dated 4 February 2021.

For the comparative periods presented in the accompanying pro forma financial information for the years ended 31 March 2019 and 31 March 2020, management has used the statutory audited financial statements of the Company and WMEPC for the years ended 31 March 2019 and 2020 prepared in accordance with IFRS, as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA. The auditors issued their audit reports on the statutory audited financial statements of the Company and WMEPC for the years ended 31 March 2019 and 31 March 2020 dated 27 May 2019 and 17 June 2020, respectively.

The Merger date:

The Merger between the Company and WMEPC is assumed to have happened on 1 April 2017.

Common control and change in shareholding structure:

On 1 November 2019, the shareholding of the Company and WMEPC were changed to match shareholding structure and, accordingly, the Company and WMEPC amended their Articles of Association and foreign investment license issued by the Ministry of Investment to reflect the change in their shareholders. The change in such shareholding is assumed to have happened on 1 April 2017 and thus for the Company and WMEPC to be entities under common control from 1 April 2017.

2 Basis of preparation (continued)

Statutory reserve:

The statutory reserve has been adjusted as appropriate for the accompanying pro forma financial information resulting from the Merger. The adjustment is made to reflect the statutory reserve based on the profit for the year as per pro forma financial information for the year ended 31 March 2021

Zakat and income tax liability:

It is assumed that there is no impact on the zakat and income tax liability of the Company as a result of the Merger. Hence, no adjustments have been made to the zakat and income tax provisions for the respective years.

Intercompany transactions and balances:

Intercompany transactions consist of sales and purchases of spiral and coating pipes between the Company and WMEPC. Revenue and cost of revenue have been eliminated assuming also that there is no unrealised profit or loss in the closing inventory of the Company.

The pro forma financial information does not take into consideration the effects of any expected benefits or costs incurred to achieve these benefits as a result of the Merger. The pro forma financial information gives no indication of the financial results or position, and future financial situation of the activities of the Company.

The significant accounting policies applied by the Company in the preparation of this pro forma financial information are aligned with the accounting policies in the Company's statutory audited financial statements for the year 31 March 2021 (summarised in the Note 2.1 below). In addition, the accounting policies applied by WMEPC in the preparation of its audited financial statements for the period from 1 April 2020 to 20 July 2020 are aligned with the accounting policies of the Company.

Based on the assumptions set out above, the adjustments incorporated in the pro forma financial information are disclosed in Note 4 below.

2.1 Summary of significant accounting policies

The principal accounting policies applied by the Company in the preparation of this pro forma financial information are set out below. The principal accounting policies are consistent of both the Company and WMEPC.

a) Revenue

The Company recognizes revenue based on a five-step model as set out in IFRS 15.

IFRS 15 requires that revenue is recognized from contracts with customers based on a five-step model as follows:

- Identification of contracts with customer;
- Identification of performance obligations in the contract;
- Determination of transaction price;
- Allocation of transaction price to performance obligations in the contract; and
- Recognition of revenue when the Company satisfies the performance obligation.

2 Basis of preparation (continued)

2.1 Summary of significant accounting policies (continued)

a) Revenue (continued)

Revenue from sale of goods

Revenue is measured at the fair value of the consideration received or receivable net of returns and allowances for the sale of goods in the ordinary course of the Company's activities. The Company recognizes revenue when control of the goods has transferred, being when the products are delivered to the customer, the customer has full discretion over the use or sale of such goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been acknowledged by the customer through third party inspection documents and material release notes, the risks of obsolescence and loss have been transferred to the customer, the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered or acknowledged by the customer as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. In determining the transaction price for the sale of goods, the Company considers the effects the existence of significant financing components. The Company receives long-term advances from customers for the sale of goods. The transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Company and its customers at contract inception, to take into consideration the significant financing component.

Revenue from coating services

Revenue is measured at the fair value of the consideration received or receivable net of return and allowances for the rendering of the services in the ordinary course of the Company's activities.

The Company provides coating services on pipes provided by the customers. Revenue from coating services is recorded over time using the output method as the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The customer receives and consumes the benefit over the services period and the Company has an enforceable right to invoice upon third party inspection. The services are billed to the customer upon acknowledgment by the customer through third party inspection.

The Company does not have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

b) Foreign currencies

i) Functional and presentation currency

Items included in the pro forma financial information of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The pro forma financial information are presented in "Saudi Riyals", which is the Company's presentation as well as functional currency.

ii) 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 other than Saudi Riyals are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

2 Basis of preparation (continued)

2.1 Summary of significant accounting policies (continued)

c) Zakat and taxes

In accordance with the regulations of the Zakat, Tax and Customs Authority, the Company is subject to zakat attributable to Saudi shareholding and to income tax attributable to the foreign shareholding in the Company. Provisions for zakat and income tax are charged to profit or loss for the period. Additional amounts, if any, are accounted for when determined to be required for payment. Further, the amounts for zakat and income tax expense for the period are presented in the statement of changes in equity in accordance with the guidance issued by SOCPA for companies with mixed ownership in line with the terms of the agreement between the shareholders of the Company.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred income tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Company withholds tax on certain transactions with non-resident parties in the Kingdom of Saudi Arabia, including dividends payment to the foreign shareholder, as required under the Saudi Arabian Income Tax Law.

d) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on property, plant and equipment so as to allocate its cost, less estimated residual value, on a straight-line basis over the estimated useful lives of the assets. The depreciation expense is recognised in profit or loss in the expense category consistent with the function of the property, plant and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2 Basis of preparation (continued)

2.1 Summary of significant accounting policies (continued)

d) Property, plant and equipment (continued)

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. Major spare parts qualify for recognition as property, plant and equipment when the Company expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use

Assets in the course of construction or development are capitalised in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of capital work-in-progress intended by management. Capital work-in-progress is not depreciated.

e) Leases

i) Accounting policy applied from 1 April 2019

At the inception of the contract the Company assesses whether a contract is or contains a lease. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease liabilities

The lease liability is initially measured at the net present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the individual lessee, which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security.

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

2 Basis of preparation (continued)

2.1 Summary of significant accounting policies (continued)

e) Leases (continued)

i) Accounting policy applied from 1 April 2019 (continued)

Lease liabilities *(continued)*

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liability is presented as a separate line in the pro forma statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 "Provisions, contingent liabilities and contingent assets". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the pro forma statement of financial position.

The Company applies IAS 36 "Impairment of Assets" to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the profit or loss.

2 Basis of preparation (continued)

2.1 Summary of significant accounting policies (continued)

e) Leases (continued)

ii) Following lease accounting policy was applied until 31 March 2019

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

f) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be finite.

Intangible assets are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and carrying amount of the asset and are recognized in the profit or loss when the asset is derecognised.

g) Financial instruments

Financial assets

i) Classification

The Company classifies its financial assets as measured at amortised cost. See Note 26 for details of each type of financial asset. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

ii) Recognition and derecognition

At initial recognition, the Company measure financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset. Transactions cost of financial assets carried at fair value through profit or loss are expensed in profit or loss.

The Company derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

iii) Measurement

Subsequent measurement of financial assets depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. The Company classifies its financial assets as measured at amortised cost. Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest are measure at amortised cost. A gain or loss on a financial instrument that is subsequently measured at amortized cost and is not part of the hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is calculated using the effective interest rate method.

Currently, the Company does not hold any equity instruments, therefore the related accounting policies are not presented.

2 Basis of preparation (continued)

2.1 Summary of significant accounting policies (continued)

g) Financial instruments (continued)

Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest rate method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and net amounts are reported in the pro forma financial information, 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 assets and liabilities simultaneously.

h) Impairment of financial assets

The Company assesses on a forward looking basis the Expected Credit Loss ("ECL") associated with its financial assets carried at amortized cost. Refer Note 25, which details how the Company determines whether there has been a change in credit risk.

For trade receivables and other financial assets, the Company applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables. The amount of the loss is charged to profit or loss.

The loss rates are based on probability of default based on historical trends relating to collections of Company's trade receivables. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant decrease in credit worthiness of the customer, the failure of the customer to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 730 days past due.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in profit or loss.

2 Basis of preparation (continued)

2.1 Summary of significant accounting policies (continued)

i) Impairment of non-financial assets excluding inventories

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash-Generating Unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

j) Inventories

Raw materials, consumables and spares, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Allowance for inventory obsolescence is made considering various factors including age of the inventory items, historic usage and expected utilization in future.

k) Trade receivables

Trade receivables are amounts due from customers for products sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less allowance for ECL.

l) Cash and cash equivalents

For the purpose of pro forma statement of financial position and presentation in the pro forma statement of cash flows, cash and cash equivalents include cash in hand, cash at banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

m) Share capital

Ordinary shares are classified as equity.

2 Basis of preparation (continued)

2.1 Summary of significant accounting policies (continued)

n) Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

o) Borrowings

Borrowings are initially recognised at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, long-term borrowings are measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the pro forma statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as "other operating (expenses) income - net" or "financial costs".

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

p) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the period in which they are incurred in profit or loss.

q) Employee benefit obligations

The Company operates a single employment benefit scheme of defined benefit plan driven by the Labor Law of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The employment benefits plan is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to employment benefits are recognised immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

2 Basis of preparation (continued)

2.1 Summary of significant accounting policies (continued)

q) Employee benefit obligations (continued)

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income and transferred to retained earnings in the pro forma statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the Labor Law of the Kingdom of Saudi Arabia.

r) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components and which are reviewed regularly by the Company's Chief Operating Decision Maker ("CODM").

The BoD of the Company assesses the financial performance and position of the Company, and makes strategic decisions. The BoD has been identified as being the CODM.

The pro forma financial information are prepared on the basis of a single reporting segment consistent with the information reviewed by the CODM of the Company.

The business activities of the Company are concentrated in the Kingdom of Saudi Arabia. All operating assets of the Company are located in the Kingdom of Saudi Arabia.

s) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(All amounts in Saudi Riyals unless otherwise stated)

2 Basis of preparation (continued)

2.2 Change in accounting policy

a) Transition approach and impact

The Company has adopted IFRS 16 'Leases' ("IFRS 16") from 1 April 2019, using the modified retrospective method, and has not restated comparatives for the 31 March 2019 reporting period, as permitted under the specific transitional provisions in IFRS 16. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the statement of financial position on 1 April 2019.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of 1 April 2019. The equal and opposite side of the lease liability calculated, is the right-of-use asset. Therefore, there is no adjustment against opening accumulated deficit as at the transition date i.e. 1 April 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 4.50%.

The adoption of IFRS 16 has resulted in recognition of right-of-use assets and lease liabilities of Saudi Riyals 41.3 million as of 1 April 2019. In applying IFRS 16 for the first time, the Company has not used any practical expedient permitted by the standard.

b) Reconciliation of operating lease commitments disclosed as at 31 March 2019 and lease liabilities recognized as at 1 April 2019:

	Saudi Riyals
Operating lease commitments disclosed as at 31 March 2019	**20,361,057**
Adjustment as a result of assessment of lease contracts under IFRS 16	**27,742,879**
Less: Impact of discounting using the Company's incremental borrowing rate at the date of initial application	**(6,742,829)**
Lease liabilities recognized as at 1 April 2019	**41,361,107**
Of which are:	
Current portion of lease liabilities	**6,684,185**
Non-current portion of lease liabilities	**34,676,922**
	41,361,107

3 Critical accounting estimates and judgments

The preparation of pro forma financial information requires the use of certain critical estimates and judgments 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 revenue 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 judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. However, as explained in Note 1, management, through the crisis management team, has proactively assessed the potential of the COVID-19 pandemic for any further regulatory and government restrictions both locally and in the market in which the Company operates that could adversely affect our supply chain and our production capabilities, demand of our products, as well as our sales distribution network that could cause a negative impact on our financial performance. Management has concluded that our critical accounting judgements, estimates and assumptions remain appropriate under the current circumstances.

The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-months period are discussed below:

Useful lives of property, plant and equipment

The Company's management determines the estimated useful lives of property, plant and equipment for computing depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Residual value and useful lives are reviewed annually and future depreciation charges are adjusted where the useful lives differ from previous estimates. See Note 10 for the estimated useful lives of the property, plant and equipment. If the useful lives varied by 10% against the current useful lives with all other variables held constant, the impact on profit for the year would have been Saudi Riyals 3.4 million.

Right-of-use assets and lease liabilities

Extension and termination options are included in a number of leases of the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations.

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

For leases of parcels of land and buildings, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate);
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate); and
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

(All amounts in Saudi Riyals unless otherwise stated)

4 Reconciliation of pro forma financial information

4.1 Reconciliation of pro forma statement of profit or loss and other comprehensive income for the year ended 31 March 2019:

	For the year ended 31 March 2019		Pro forma adjustments	For the year ended 31 March 2019
	Company	WMEPC	(Note 2)	(Pro forma)
Revenue	707,189,741	47,031,408	(18,986,073)	735,235,076
Cost of revenue	(725,957,826)	(56,137,918)	18,986,073	(763,109,671)
Gross loss	(18,768,085)	(9,106,510)	-	(27,874,595)
General and administrative expenses	(14,788,986)	(4,486,407)	-	(19,275,393)
Selling and marketing expenses	(11,516,183)	-	-	(11,516,183)
Expected credit loss allowance	-	(243,251)	-	(243,251)
Other operating income - net	738,906	550,246	-	1,289,152
Operating loss	(44,334,348)	(13,285,922)	-	(57,620,270)
Financial costs	(28,018,003)	(4,854,092)	-	(32,872,095)
Loss before zakat and income tax	(72,352,351)	(18,140,014)	-	(90,492,365)
Zakat credit	116,829	-	-	116,829
Income tax credit	2,935,625	-	-	2,935,625
Loss for the year	(69,299,897)	(18,140,014)	-	(87,439,911)
Other comprehensive income				
Item that will not be reclassified to profit or loss				
Re-measurements of employee benefit obligations	(1,362,190)	(263,810)	-	(1,626,000)
Total comprehensive loss for the year	(70,662,087)	(18,403,824)	-	(89,065,911)

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the pro forma financial information for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

4 Reconciliation of pro forma financial information (continued)

4.2 Reconciliation of pro forma statement of financial position as at 31 March 2019:

	As at 31 March 2019		Pro forma adjustments	As at 31 March 2019
	Company	**WMEPC**	**(Note 2)**	**(Pro forma)**
Assets				
Non-current assets				
Property, plant and equipment	253,537,259	87,639,042	-	341,176,301
Intangible assets	331,800	-	-	331,800
Deferred tax asset	2,935,625	-	-	2,935,625
Total non-current assets	256,804,684	87,639,042	-	344,443,726
Current assets				
Inventories	196,180,959	10,848,395	-	207,029,354
Trade and other receivables	356,137,767	4,535,858	(27,492,305)	333,181,320
Zakat and income tax refundable	3,168,226	-	-	3,168,226
Cash and cash equivalents	16,237,420	249,124	-	16,486,544
Total current assets	571,724,372	15,633,377	(27,492,305)	559,865,444
Total assets	828,529,056	103,272,419	(27,492,305)	904,309,170
Equity and liabilities				
Equity				
Share capital	76,046,875	33,765,625	(33,765,625)	76,046,875
Accumulated losses	(35,144,949)	(90,619,182)	90,619,182	(35,144,949)
Pro forma adjustments	-	-	(56,853,557)	(56,853,557)
	(35,144,949)	(90,619,182)	33,765,625	(91,998,506)
Total equity	40,901,926	(56,853,557)	-	(15,951,631)
Liabilities				
Non-current liabilities				
Long-term borrowings	37,500,000	-	-	37,500,000
Loans from shareholders	105,882,396	79,036,162	-	184,918,558
Employee benefit obligations	9,217,750	2,214,920	-	11,432,670
Trade and other payables	38,371,501	-	-	38,371,501
Total non-current liabilities	190,971,647	81,251,082	-	272,222,729
Current liabilities				
Trade and other payables and accrued financial costs related to shareholders' loans	337,928,531	75,611,516	(27,492,305)	386,047,742
Current portion of long-term borrowings	71,603,027	3,263,378	-	74,866,405
Short-term borrowings	187,123,925	-	-	187,123,925
Total current liabilities	596,655,483	78,874,894	(27,492,305)	648,038,072
Total liabilities	787,627,130	160,125,976	(27,492,305)	920,260,801
Total equity and liabilities	828,529,056	103,272,419	(27,492,305)	904,309,170

(All amounts in Saudi Riyals unless otherwise stated)

4 Reconciliation of pro forma financial information (continued)

4.3 Reconciliation of pro forma statement of cash flows for the year ended 31 March 2019:

	For the year ended 31 March 2019		Pro forma adjustments	For the year ended 31 March 2019
	Company	WMEPC	(Note 2)	(Pro forma)
Cash flows from operating activities				
Loss before zakat and income tax	(72,352,351)	(18,140,014)	-	(90,492,365)
Adjustments for:				
Depreciation	25,955,411	8,455,635	-	34,411,046
Amortization	212,449	-	-	212,449
Gain from sale of property and equipment	(64,145)	(38,228)	-	(102,373)
(Reversal of) provision for inventory obsolescence	(331,655)	73,817	-	(257,838)
Expected credit loss allowance	-	243,251	-	243,251
Financial costs	28,018,003	4,854,092	-	32,872,095
Provision for employee benefits obligation	1,169,360	300,810	-	1,470,170
Changes in operating assets and liabilities:				
Increase in inventories	(139,058,334)	(4,802,406)	-	(143,860,740)
(Increase) decrease in trade and other receivables	(272,155,794)	11,322,808	5,402,784	(255,430,202)
Increase (decrease) in trade and other payables	262,007,576	5,108,866	(5,402,784)	261,713,658
Cash (used in) generated from operations	(166,599,480)	7,378,631	-	(159,220,849)
Financial costs paid	(21,123,514)	(624,383)	-	(21,747,897)
Employee benefit obligations paid	(167,710)	(72,440)	-	(240,150)
Net cash (outflow) inflow from operating activities	(187,890,704)	6,681,808	-	(181,208,896)
Cash flows from investing activities				
Payments for purchases of property, plant and equipment	(23,467,979)	(90,738)	-	(23,558,717)
Payments for purchases of intangible assets	(39,529)	-	-	(39,529)
Proceeds from sale of property and equipment	69,505	38,228	-	107,733
Net cash outflow from investing activities	(23,438,003)	(52,510)	-	(23,490,513)
Cash flows from financing activities				
Changes in short-term borrowings	187,123,925	-	-	187,123,925
Repayments of long-term borrowings	(18,750,000)	(8,223,000)	-	(26,973,000)
Net cash inflow (outflow) from financing activities	168,373,925	(8,223,000)	-	160,150,925
Net decrease in cash and cash equivalents	(42,954,782)	(1,593,702)	-	(44,548,484)
Cash and cash equivalents at beginning of year	59,192,202	1,842,826	-	61,035,028
Cash and cash equivalents at end of year	16,237,420	249,124	-	16,486,544

(All amounts in Saudi Riyals unless otherwise stated)

4 Reconciliation of pro forma financial information (continued)

4.4 Reconciliation of pro forma statement of profit or loss and other comprehensive income for the year ended 31 March 2020:

	For the year ended 31 March 2020		Pro forma adjustments	For the year ended 31 March 2020
	Company	**WMEPC**	**(Note 2)**	**(Pro forma)**
Revenue	1,668,863,844	122,117,651	(23,352,433)	1,767,629,062
Cost of revenue	(1,332,511,587)	(99,335,512)	23,352,433	(1,408,494,666)
Gross profit	336,352,257	22,782,139	-	359,134,396
General and administrative expenses	(12,705,941)	(4,137,966)	-	(16,843,907)
Selling and marketing expenses	(7,657,200)	-	-	(7,657,200)
Expected credit loss allowance	(3,927,679)	-	-	(3,927,679)
Other operating income - net	2,599,042	115,937	-	2,714,979
Operating profit	314,660,479	18,760,110	-	333,420,589
Financial costs	(48,110,487)	(4,795,442)	-	(52,905,929)
Profit before zakat and income tax	266,549,992	13,964,668	-	280,514,660
Zakat expense	(4,577,027)	(179,546)	-	(4,756,573)
Income tax expense	(25,039,146)	(1,387,890)	-	(26,427,036)
Profit for the year	236,933,819	12,397,232	-	249,331,051
Other comprehensive income				
Item that will not be reclassified to profit or loss				
Re-measurements of employee benefit obligations	(1,273,370)	(315,790)	-	(1,589,160)
Total comprehensive income for the year	235,660,449	12,081,442	-	247,741,891

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the pro forma financial information for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

4 Reconciliation of pro forma financial information (continued)

4.5 Reconciliation of pro forma statement of financial position as at 31 March 2020:

	As at 31 March 2020		Pro forma adjustments	As at 31 March 2020
	Company	**WMEPC**	**(Note 2)**	**(Pro forma)**
Assets				
Non-current assets				
Property, plant and equipment	229,732,636	79,735,163	-	309,467,799
Right-of-use assets	31,285,041	2,545,696	-	33,830,737
Intangible assets	126,149	-	-	126,149
Total non-current assets	261,143,826	82,280,859	-	343,424,685
Current assets				
Inventories	175,783,794	17,033,696	-	192,817,490
Trade and other receivables	642,498,613	23,776,670	(89,825,250)	576,450,033
Cash and cash equivalents	69,124,120	1,660,640	-	70,784,760
Total current assets	887,406,527	42,471,006	(89,825,250)	840,052,283
Total assets	1,148,550,353	124,751,865	(89,825,250)	1,183,476,968
Equity and liabilities				
Equity				
Share capital	76,046,875	33,765,625	(33,765,625)	76,046,875
Statutory reserve	20,178,886	-	(4,445,631)	15,733,255
Retained earnings (accumulated losses)	180,336,614	(78,537,740)	78,537,740	180,336,614
Pro forma adjustments	-	-	(40,326,484)	(40,326,484)
	180,336,614	(78,537,740)	38,211,256	140,010,130
Total equity	276,562,375	(44,772,115)	-	231,790,260
Liabilities				
Non-current liabilities				
Loans from shareholders	105,882,396	49,036,163	-	154,918,559
Lease liabilities	25,107,677	2,412,274	-	27,519,951
Deferred tax liability	738,776	-	-	738,776
Employee benefit obligations	12,033,140	2,804,250	-	14,837,390
Total non-current liabilities	143,761,989	54,252,687	-	198,014,676
Current liabilities				
Trade and other payables and accrued financial costs related to shareholders' loans	191,828,710	113,517,393	(89,825,250)	215,520,853
Current portion of long-term borrowings	70,739,125	-	-	70,739,125
Current portion of lease liabilities	6,616,727	186,464	-	6,803,191
Short-term borrowings	436,427,715	-	-	436,427,715
Zakat and income tax payable	22,613,712	1,567,436	-	24,181,148
Total current liabilities	728,225,989	115,271,293	(89,825,250)	753,672,032
Total liabilities	871,987,978	169,523,980	(89,825,250)	951,686,708
Total equity and liabilities	1,148,550,353	124,751,865	(89,825,250)	1,183,476,968

(All amounts in Saudi Riyals unless otherwise stated)

4 Reconciliation of pro forma financial information (continued)

4.6 Reconciliation of pro forma statement of cash flows for the year ended 31 March 2020:

	For the year ended 31 March 2020		Pro forma adjustments	For the year ended 31 March 2020
	Company	**WMEPC**	**(Note 2)**	**(Pro forma)**
Cash flows from operating activities				
Profit before zakat and income tax	266,549,992	13,964,668	-	280,514,660
Adjustments for:				
Depreciation	33,593,894	8,522,654	-	42,116,548
Amortization	215,651	-	-	215,651
Gain from sale of property and equipment	(36,451)	-	-	(36,451)
Gain on early termination of lease liabilities	(116,619)	-	-	(116,619)
Provision (reversal) for inventory obsolescence	3,731,391	(39,307)	-	3,692,084
Expected credit loss allowance	3,927,679	-	-	3,927,679
Financial costs	48,110,487	4,795,442	-	52,905,929
Provision for employee benefit obligations	1,631,150	350,630	-	1,981,780
Changes in operating assets and liabilities:				
Decrease (increase) in inventories	16,665,774	(6,145,994)	-	10,519,780
Increase (decrease) in trade and other receivables	(290,288,525)	(19,240,812)	62,332,945	(247,196,392)
(Decrease) increase in trade and other payables	(184,827,371)	73,770,964	(62,332,945)	(173,389,352)
Cash (used in) generated from operations	(100,842,948)	75,978,245	-	(24,864,703)
Financial costs paid	(46,850,691)	(40,056,337)	-	(86,907,028)
Employee benefit obligations paid	(470,880)	(167,660)	-	(638,540)
Zakat and income tax paid	(159,834)	-	-	(159,834)
Net cash (outflow) inflow from operating activities	(148,324,353)	35,754,248	-	(112,570,105)
Cash flows from investing activities				
Payments for purchases of property, plant and equipment	(2,919,489)	(387,348)	-	(3,306,837)
Payments for purchases of intangible assets	(10,000)	-	-	(10,000)
Proceeds from sale of property and equipment	36,451	-	-	36,451
Net cash outflow from investing activities	(2,893,038)	(387,348)	-	(3,280,386)
Cash flows from financing activities				
Changes in short-term borrowings	247,917,891	-	-	247,917,891
Repayments of long-term borrowings	(37,500,000)	(3,777,000)	-	(41,277,000)
Repayments of long-term loans from shareholders	-	(29,999,999)	-	(29,999,999)
Repayments of lease liabilities	(6,313,800)	(178,385)	-	(6,492,185)
Net cash inflow (outflow) from financing activities	204,104,091	(33,955,384)	-	170,148,707

(All amounts in Saudi Riyals unless otherwise stated)

4 Reconciliation of pro forma financial information (continued)

4.6 Reconciliation of pro forma statement of cash flows for the year ended 31 March 2020: (continued)

	For the year ended 31 March 2020 Company	For the year ended 31 March 2020 WMEPC	Pro forma adjustments (Note 2)	For the year ended 31 March 2020 (Pro forma)
Net change in cash and cash equivalents	52,886,700	1,411,516	-	54,298,216
Cash and cash equivalents at beginning of year	16,237,420	249,124	-	16,486,544
Cash and cash equivalents at end of year	69,124,120	1,660,640	-	70,784,760

4.7 Reconciliation of pro forma statement of profit or loss and other comprehensive income for the year ended 31 March 2021:

	For the year ended 31 March 2021 Company	From 1 April 2020 to 20 July 2020 WMEPC	Pro forma adjustments (Note 2)	For the year ended 31 March 2021 (Pro forma)
Revenue	935,506,334	39,448,929	-	**974,955,263**
Cost of revenue	(705,309,370)	(33,121,241)	-	**(738,430,611)**
Gross profit	230,196,964	6,327,688	-	**236,524,652**
General and administrative expenses	(12,857,302)	(1,014,352)	-	**(13,871,654)**
Selling and marketing expenses	(5,546,803)	-	-	**(5,546,803)**
Expected credit loss allowance	(2,498,273)	-	-	**(2,498,273)**
Other operating (expenses) income - net	(1,615,788)	425,610	-	**(1,190,178)**
Operating profit	207,678,798	5,738,946	-	**213,417,744**
Financial costs	(32,011,022)	(624,681)	-	**(32,635,703)**
Profit before zakat and income tax	175,667,776	5,114,265	-	**180,782,041**
Zakat expense	(5,596,192)	(57,070)	-	**(5,653,262)**
Income tax expense	(21,805,561)	(432,896)	-	**(22,238,457)**
Profit for the year	148,266,023	4,624,299	-	**152,890,322**
Other comprehensive income				
Item that will not be reclassified to profit or loss				
Re-measurements of employee benefit obligations	(509,422)	(507,210)	-	**(1,016,632)**
Total comprehensive income for the year	147,756,601	4,117,089	-	**151,873,690**

(All amounts in Saudi Riyals unless otherwise stated)

4.8 Reconciliation of pro forma statement of cash flows for the year ended 31 March 2021:

	For the year ended 31 March 2021 Company	From 1 April 2020 to 20 July 2020 WMEPC	Pro forma adjustments (Note 2)	For the year ended 31 March 2021 (Pro forma)
Cash flows from operating activities				
Profit before zakat and income tax	175,667,776	5,114,265	-	**180,782,041**
Adjustments for:				
Depreciation	38,518,539	2,604,488	-	**41,123,027**
Amortization	114,591	-	-	**114,591**
Provision for inventory obsolescence	648,785	92,004	-	**740,789**
Expected credit loss allowance	2,498,273	-	-	**2,498,273**
Financial costs	32,011,022	624,681	-	**32,635,703**
Provision for employee benefit obligations	1,459,983	131,790	-	**1,591,773**
Changes in operating assets and liabilities:				
Decrease in inventories	74,570,486	3,010,896	-	**77,581,382**
Decrease (increase) in trade and other receivables	306,303,155	(336,799)	(89,825,250)	**216,141,106**
(Decrease) increase in trade and payables and accrued financial costs related to shareholders' loans	(204,450,428)	9,315,417	89,825,250	**(105,309,761)**
Cash generated from operations	427,342,182	20,556,742	-	**447,898,924**
Financial costs paid	(27,070,312)	(43,350)	-	**(27,113,662)**
Employee benefit obligations paid	(1,344,271)	-	-	**(1,344,271)**
Zakat and income tax paid	(41,540,216)	(1,567,044)	-	**(43,107,260)**
Net cash inflow from operating activities	357,387,383	18,946,348	-	**376,333,731**
Cash flows from investing activities				
Payments for purchases of property, plant and equipment	(1,453,303)	(580,274)	-	**(2,033,577)**
Payments for purchases of intangible Assets	(6,005)	-	-	**(6,005)**
Net cash outflow from investing activities	(1,459,308)	(580,274)	-	**(2,039,582)**
Cash flows from financing activities				
Changes in short-term borrowings	(305,840,944)	-	-	**(305,840,944)**
Current portion of long-term borrowings	(70,198,000)	-	-	**(70,198,000)**
Proceeds from loans from shareholders	7,365,578	-	-	**7,365,578**
Repayments of loans from shareholders	(7,365,578)	(20,000,000)	-	**(27,365,578)**
Repayments of lease liabilities	(6,723,522)	-	-	**(6,723,522)**
Net cash outflow from financing activities	(382,762,466)	(20,000,000)	-	**(402,762,466)**
Net decrease in cash and cash equivalents	(26,834,391)	(1,633,926)	-	**(28,468,317)**
Cash transferred	26,714	-	(26,714)	-
Cash and cash equivalents at beginning of the year	69,124,120	1,660,640	-	**70,784,760**
Cash and cash equivalents at end of the year	42,316,443	26,714	(26,714)	**42,316,443**

(All amounts in Saudi Riyals unless otherwise stated)

4.9 Reconciliation of pro forma total equity as at 31 March 2021:

	As at 31 March 2021 Company	Pro forma adjustments (Note 2)	As at 31 March 2021 (Pro forma)
Equity			
Share capital	210,000,000	-	**210,000,000**
Statutory reserve	35,005,488	(4,445,631)	**30,559,857**
Retained earnings	272,611,582	4,445,631	**277,057,213**
Total equity	517,617,070	-	**517,617,070**

5 Revenue

	For the year ended 31 March		
	2021 (Pro forma)	2020 (Pro forma)	2019 (Pro forma)
At a point in time			
- Revenue from sale of goods	**888,587,534**	1,665,944,888	702,774,184
Overtime			
- Revenue from rendering of services	**86,367,729**	101,684,174	32,460,892
	974,955,263	1,767,629,062	735,235,076

Revenue of approximately Saudi Riyals 813.2 million for the year ended 31 March 2021 is derived from one external customer (for the year ended 31 March 2020 and 2019: Saudi Riyals 1.4 billion and Saudi Riyals 646.3 million derived from one external customer).

6 Cost of revenue

	Note	For the year ended 31 March		
		2021 (Pro forma)	2020 (Pro forma)	2019 (Pro forma)
Cost of materials		**634,218,787**	1,266,723,289	653,025,630
Salaries and benefits		**44,940,931**	57,954,463	42,647,918
Depreciation	10, 11	**40,712,673**	41,620,244	33,699,521
Provision (reversal) for inventory obsolescence	13	**740,789**	3,692,084	(257,838)
Amortization	12	**91,673**	172,521	205,955
Sub-contractors costs		**-**	2,900,513	3,800,491
Other		**17,725,758**	35,431,552	29,987,994
		738,430,611	1,408,494,666	763,109,671

(All amounts in Saudi Riyals unless otherwise stated)

7 General and administrative expenses

	Note	For the year ended 31 March 2021 (Pro forma)	2020 (Pro forma)	2019 (Pro forma)
Salaries and benefits		**8,512,878**	11,859,506	13,217,572
Professional fee		**1,843,984**	1,054,257	1,479,976
Utilities		**1,013,136**	974,853	1,346,472
Depreciation	10	**313,687**	413,301	404,911
Repair		**310,846**	518,041	277,088
Travel		**110,995**	104,302	154,348
Amortization	12	**22,918**	43,130	6,494
Cleaning charges		**11,129**	70,313	-
Other		**1,732,081**	1,806,204	2,388,532
		13,871,654	16,843,907	19,275,393

8 Selling and marketing expenses

	Note	For the year ended 31 March 2021 (Pro forma)	2020 (Pro forma)	2019 (Pro forma)
Rent		**3,801,912**	4,999,526	5,940,481
Salaries and benefits		**1,258,955**	1,645,885	4,349,508
Depreciation	10	**96,667**	83,003	306,614
Other		**389,269**	928,786	919,580
		5,546,803	7,657,200	11,516,183

9 Financial costs

	Note	For the year ended 31 March 2021 (Pro forma)	2020 (Pro forma)	2019 (Pro forma)
Financial costs on short-term borrowings	21	**15,598,508**	25,821,712	7,970,448
Letter of credit facilities charges		**9,037,006**	10,352,430	8,221,707
Financial costs on loans from shareholders	24	**5,747,307**	9,342,151	9,708,225
Financial costs on lease liabilities	19	**1,249,172**	1,603,743	-
Financial costs on long-term borrowings	18	**431,856**	2,330,924	5,657,292
Unwinding of Saudi Industrial Development Fund (“SIDF”) commitment fees		**-**	954,392	755,640
Other		**571,854**	2,500,577	558,783
		32,635,703	52,905,929	32,872,095

(All amounts in Saudi Riyals unless otherwise stated)

10 Property, plant and equipment

	1 April 2020 (Pro forma)	Additions	Disposals/ transfer	31 March 2021 (Pro forma)
31 March 2021				
Cost				
Buildings and leasehold improvements	70,618,381	-	2,585,021	**73,203,402**
Plant and machinery	552,409,062	3,543	2,534,885	**554,947,490**
Furniture, fixtures and office equipment	3,755,000	70,936	48,592	**3,874,528**
Vehicles	1,348,386	-	-	**1,348,386**
Capital work-in-progress	3,209,400	1,959,098	(5,168,498)	**-**
	631,340,229	2,033,577	-	**633,373,806**
31 March 2021				
Accumulated depreciation				
Buildings and leasehold improvements	(32,671,389)	(3,870,676)	-	**(36,542,065)**
Plant and machinery	(284,576,966)	(30,001,834)	-	**(314,578,800)**
Furniture, fixtures and office equipment	(3,412,315)	(182,702)	-	**(3,595,017)**
Vehicles	(1,211,760)	(65,644)	-	**(1,277,404)**
	(321,872,430)	(34,120,856)	-	**(355,993,286)**
Net book value	309,467,799			**277,380,520**

	1 April 2019 (Pro forma)	Additions	Disposals/ transfer	31 March 2020 (Pro forma)
31 March 2020				
Cost				
Buildings and leasehold improvements	70,618,381	-	-	70,618,381
Plant and machinery	552,074,101	334,961	-	552,409,062
Furniture, fixtures and office equipment	3,518,113	236,887	-	3,755,000
Vehicles	1,504,922	90,464	(247,000)	1,348,386
Capital work-in-progress	564,875	2,644,525	-	3,209,400
	628,280,392	3,306,837	(247,000)	631,340,229
31 March 2020				
Accumulated depreciation				
Buildings and leasehold improvements	(28,888,784)	(3,782,605)	-	(32,671,389)
Plant and machinery	(253,614,057)	(30,962,909)	-	(284,576,966)
Furniture, fixtures and office equipment	(3,237,986)	(174,329)	-	(3,412,315)
Vehicles	(1,363,264)	(95,496)	247,000	(1,211,760)
	(287,104,091)	(35,015,339)	247,000	(321,872,430)
Net book value	341,176,301			309,467,799

(All amounts in Saudi Riyals unless otherwise stated)

10 Property, plant and equipment (continued)

	1 April 2018 (Pro forma)	Additions	Disposals/ transfer	31 March 2019 (Pro forma)
2019				
Cost				
Buildings and leasehold improvements	69,326,874	-	1,291,507	70,618,381
Plant and machinery	530,361,130	3,234,785	18,478,186	552,074,101
Furniture, fixtures and office equipment	3,443,442	140,610	(65,939)	3,518,113
Vehicles	1,862,087	-	(357,165)	1,504,922
Capital work-in-progress	216,408	20,183,322	(19,834,855)	564,875
	605,209,941	23,558,717	(488,266)	628,280,392
Accumulated depreciation				
Buildings and leasehold improvements	(25,169,863)	(3,718,921)	-	(28,888,784)
Plant and machinery	(223,246,231)	(30,367,826)	-	(253,614,057)
Furniture, fixtures and office equipment	(3,170,273)	(193,454)	125,741	(3,237,986)
Vehicles	(1,589,584)	(130,845)	357,165	(1,363,264)
	(253,175,951)	(34,411,046)	482,906	(287,104,091)
	352,033,990			341,176,301

Depreciation is calculated on straight-line basis over the following estimated useful lives of the assets:

	Number of years
• Buildings and leasehold improvements	10 - 20
• Plant and machinery	2 - 20
• Furniture, fixtures and office equipment	2 - 5
• Vehicles	3 - 5

(All amounts in Saudi Riyals unless otherwise stated)

11 Right-of-use assets

	Land	Building	Total
Cost			
At 1 April 2020 and 31 March 2021 (Pro forma)	38,419,329	2,413,580	**40,832,909**
Accumulated depreciation			
At 1 April 2020 (Pro forma)	(6,398,777)	(603,395)	**(7,002,172)**
Depreciation for the year	(6,109,493)	(892,678)	**(7,002,171)**
At 31 March 2021 (Pro forma)	(12,508,270)	(1,496,073)	**(14,004,343)**
Net book value			
At 31 March 2021 (Pro forma)	25,911,059	917,507	**26,828,566**
Cost			
IFRS 16 adjustment:			
Initial recognition of right-of-use assets upon adoption of IFRS 16 at 1 April 2019	38,419,329	2,941,778	41,361,107
Terminations during the year	-	(528,198)	(528,198)
At 31 March 2020 (Pro forma)	38,419,329	2,413,580	40,832,909
Accumulated depreciation			
At 1 April 2019 (Pro forma)	-	-	-
Depreciation	(6,398,777)	(702,432)	(7,101,209)
Terminations during the year	-	99,037	99,037
At 31 March 2020 (Pro forma)	(6,398,777)	(603,395)	(7,002,172)
Net book value			
At 31 March 2020 (Pro forma)	32,020,552	1,810,185	33,830,737

The Company has leases in respect of various parcels of land and building. Rental contracts are typically made for fixed periods of 3 to 16 years and considered an extension option where the Company's management is reasonably certain to exercise.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets are not be used as security for borrowing purposes

During the year ended 31 March 2021 and 2020, the Company does not have any short-term or low value leases.

For the year ended 31 March 2021, the total cash outflow for leases was Saudi Riyals 7.9 million (31 March 2020: Saudi Riyals 7.8 million).

(All amounts in Saudi Riyals unless otherwise stated)

12 Intangible assets

	31 March 2021 (Pro forma)	31 March 2020 (Pro forma)	31 March 2019 (Pro forma)
Cost			
At 1 April	**2,125,397**	2,115,397	2,075,868
Additions	**6,005**	10,000	39,529
At 31 March	**2,131,402**	2,125,397	2,115,397
Accumulated amortization			
At 1 April	**(1,999,248)**	(1,783,597)	(1,571,148)
Amortization	**(114,591)**	(215,651)	(212,449)
At 31 March	**(2,113,839)**	(1,999,248)	(1,783,597)
Net book value			
31 March	**17,563**	126,149	331,800

Intangible assets represents software and is amortized on a straight-line basis over their estimated useful life which is 3 years.

13 Inventories

	31 March 2021 (Pro forma)	31 March 2020 (Pro forma)	31 March 2019 (Pro forma)
Raw materials	**32,160,026**	81,127,481	76,546,038
Consumables	**15,315,275**	13,489,242	7,841,451
Work-in-progress	**1,058,575**	3,730,327	4,512,281
Finished products	**55,732,268**	54,390,617	105,366,299
Spare parts and supplies, not held for sale	**17,848,409**	19,775,309	15,949,646
Goods-in-transit	**-**	27,182,959	-
	122,114,553	199,695,935	210,215,715
Less: provision for inventory obsolescence	**(7,619,234)**	(6,878,445)	(3,186,361)
	114,495,319	192,817,490	207,029,354

Movement in provision for inventory obsolescence is as follows:

	31 March 2021 (Pro forma)	31 March 2020 (Pro forma)	31 March 2019 (Pro forma)
At 1 April	**6,878,445**	3,186,361	3,444,199
Additions (reversal)	**740,789**	3,692,084	(257,838)
At 31 March	**7,619,234**	6,878,445	3,186,361

(All amounts in Saudi Riyals unless otherwise stated)

14 Trade and other receivables

	Note	31 March 2021 (Pro forma)	31 March 2020 (Pro forma)	31 March 2019 (Pro forma)
Trade receivable		**323,926,639**	553,245,919	264,901,840
Less: ECL allowance		**(6,669,203)**	(4,170,930)	(243,251)
		317,257,436	549,074,989	264,658,589
Advances to suppliers		**18,935,429**	8,436,902	2,886,341
Related parties	24	**6,195,405**	56,844	53,474
Contract assets		**4,382,058**	15,279,943	١,509,614
Advance income tax	23	**4,116,376**	-	-
Prepaid expenses		**2,746,113**	2,932,417	٥٨ ,691,799
Other		**4,177,837**	668,938	5,381,503
		357,810,654	576,450,033	333,181,320

(a) Movement in ECL allowance is as follows:

	31 March 2021 (Pro forma)	31 March 2020 (Pro forma)	31 March 2019 (Pro forma)
At 1 April	**4,170,930**	243,251	-
ECL allowance	**2,498,273**	3,927,679	243,251
At 31 March	**6,669,203**	4,170,930	243,251

	31 March 2021 (Pro forma)	31 March 2020 (Pro forma)	31 March 2019 (Pro forma)
General ECL allowance	**5,669,203**	3,170,930	243,251
Specific ECL allowance	**1,000,000**	1,000,000	-
	6,669,203	4,170,930	243,251

(b) The Company applies the simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other financial assets. To measure the ECL allowance, trade receivables have been computed based on shared credit risk characteristics and the days past due.

(c) The ageing analysis of the trade receivables and the expected loss rates are as follows:

	Days past due				
31 March 2021	**Current up to 90 days**	**91 - 180 days past due**	**181 - 365 days past due**	**More than 365 days**	**Total**
Expected loss rate	0.01% - 0.18%	0.02% - 1.35%	7.66%	100%	
Gross carrying amount of trade receivables	129,803,104	188,198,331	5,795,810	129,394	**323,926,639**
ECL allowance	193,164	5,048,401	298,244	129,394	**5,669,203**

(All amounts in Saudi Riyals unless otherwise stated)

14 Trade and other receivables (continued)

(c) The ageing analysis of the trade receivables and the expected loss rates are as follows: (continued)

31 March 2020	Days past due: Current up to 90 days	91 - 180 days past due	181 - 365 days past due	More than 365 days	Total
Expected loss rate	0.01% - 0.16%	0.02% -0.25%	0.12% -0.63%	5.15% -100%	
Gross carrying amount of trade receivables	350,411,875	112,039,120	90,192,721	602,203	553,245,919
ECL allowance	711,810	702,903	1,187,456	568,761	3,170,930

31 March 2019	Days past due: Current up to 90 days	91 - 180 days past due	181 - 365 days past due	More than 730 days	Total
Expected loss rate	0.01% -0.64%	0.64%	1.88%	100%	
Gross carrying amount - trade receivables	263,607,795	722,443	328,351	243,251	264,901,840
ECL allowance	-	-	-	243,251	243,251

The expected loss rates are based on the payment profiles of sales over a period of 48 months before 31 March 2021, 2020 and 2019 respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and inflation rate of the country in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

(d) Contract assets are initially recognised for revenue earned from providing of service and is conditional on successful completion of work. Upon completion of services, the amounts recognised as contract assets are reclassified to trade receivables.

As at 31 March 2021, aggregate amount of the transaction price that are partially or fully unsatisfied is Saudi Riyals 0.2 million (31 March 2020 and 31 March 2019: Saudi Riyals 0.1 million and 0.4 million).

The Company applies IFRS 9 simplified approach for measuring ECL which uses a lifetime expected loss allowance for contract assets. As at 31 March 2021, 2020 and 2019, the ECL allowance on contract assets was immaterial.

(e) The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to the credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

(f) The Company does not hold any collateral as security.

15 Cash and cash equivalents

	31 March 2021 (Pro forma)	31 March 2020 (Pro forma)	31 March 2019 (Pro forma)
Cash at banks	**42,304,200**	70,724,653	16,428,577
Cash in hand	**12,243**	60,107	57,967
	42,316,443	70,784,760	16,486,544

(All amounts in Saudi Riyals unless otherwise stated)

16 Share capital

The share capital of the Company as of 31 March 2021 comprised of 21,000,000 shares stated at Saudi Riyals 10 per share (31 March 2020 and 2019: 76,046,875 shares stated at Saudi Riyals 1 per share) owned as follows:

		Shareholding percentage		
	Country of incorporation	**31 March 2021 (Pro forma)**	**31 March 2020 (Pro forma)**	**31 March 2019 (Pro forma)**
Welspun Mauritius Holdings Company Limited	Mauritius	**50.01**	50.01	50.01
Aziz Company for Contracting & Industrial Investment	Saudi Arabia	**28.50**	28.50	-
Vision International Investment Co.	Saudi Arabia	**16.50**	16.50	-
Mohawareen Industrial Services	Saudi Arabia	**4.99**	4.99	4.99
Aziz European Pipe Factory	Saudi Arabia	**-**	-	45.00
		100.00	100.00	100.00

During the year ended 31 March 2021, the BoD of the Company recommended to increase the Company's share capital by Saudi Riyals 5 as part of the conversion of the Company from a limited liability company to a closed joint stock company. Based on the BoD recommendation, the Company's shareholders resolved in their extraordinary general assembly meeting held on 21 September 2020 to increase the share capital by Saudi Riyals 5. The legal formalities relating to such increase in share capital were completed during the year ended 31 March 2021.

In addition, as part of the conversion of the Company to a closed joint stock company, the total number of shares increased from 76,046,875 to 76,048,880 stated at Saudi Riyals 1 per share and were converted into 7,604,688 shares stated at Saudi Riyals 10 per share.

On 28 December 2020, the shareholders in their extraordinary general assembly meeting resolved to convert the loans from shareholders amounting to Saudi Riyals 134.0 million to the share capital. The legal formalities relating to amendment of CR were completed during the year ended 31 March 2021. Also see Notes 24 and 28.

17 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the net income for the year to a statutory reserve until it equals to 30% of its share capital. The reserve is not available for distribution to the shareholders of the Company. Also see Note 2.

18 Long-term borrowings

	Note	31 March 2021 (Pro forma)	31 March 2020 (Pro forma)	31 March 2019 (Pro forma)
SIDF	18.1	-	32,698,000	36,475,000
Commercial bank loan	18.2	-	37,500,000	75,000,000
		-	70,198,000	111,475,000
Less: unamortized transaction costs			-	(954,392)
Add: accrued financial costs		-	541,125	1,845,797
		-	70,739,125	112,366,405
Long-term borrowings are presented as follows:				
Current portion presented under current liabilities		-	70,739,125	74,866,405
Non-current portion of long-term borrowings		-	-	37,500,000
		-	-	112,366,405

18.1 SIDF loan

This represented loan obtained by the Company from SIDF of Saudi Riyals 125.2 million to finance the construction of the Company's plant facilities. The loan was denominated in Saudi Riyals. Up-front and annual administrative fees were charged by SIDF under the loan arrangement. During the year ended 31 March 2021, the Company has fully repaid the borrowing from SIDF.

18.2 Commercial bank loan

During 2016, the Company obtained a loan facility from a local commercial bank. The loan is denominated in Saudi Riyals and bore financial charges based on prevailing market rates which was based on Saudi Inter-Bank Offer Rates ("SIBOR"). During the year ended 31 March 2021, the Company has fully repaid the borrowing from a commercial bank.

19 Lease liabilities

The Company has entered into certain agreements which entitled the Company to right-of-use asset and obligations relating to parcels of land and building.

	31 March 2021 (Pro forma)	31 March 2020 (Pro forma)	31 March 2019 (Pro forma)
Future minimum lease payments	**47,532,936**	47,532,936	-
Less: repayment of minimum lease payments	**(16,029,535)**	(8,095,928)	-
	31,503,401	39,437,008	-
Less: future financial costs not yet due	**(3,864,696)**	(5,113,866)	-
Net present value of minimum lease payment	**27,638,705**	34,323,142	-
Less: current portion presented under current liabilities	**(5,932,328)**	(6,803,191)	-
Non-current portion of lease liabilities	**21,706,377**	27,519,951	-

(All amounts in Saudi Riyals unless otherwise stated)

19 Lease liabilities (continued)

Movement in lease liabilities is as follows:

	31 March 2021 (Pro forma)	31 March 2020 (Pro forma)	31 March 2019 (Pro forma)
At 1 April	**34,323,142**	-	-
Initial recognition of lease liabilities upon adoption of IFRS 16	**-**	41,361,107	-
Accretion of financial costs during the year	**1,249,170**	1,603,743	-
Lease terminated during the year	**-**	(545,780)	-
Payments made during the year	**(7,933,607)**	(8,095,928)	-
At 31 March	**27,638,705**	34,323,142	-

20 Employee benefit obligations

20.1 General description of the plan

The Company operates a defined benefit plan in line with the Labor Law requirements in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labor Law of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment. An independent actuary carried out latest valuation of employee benefit obligations under the projected unit credit method as at 31 March 2021.

	31 March 2021 (Pro forma)	31 March 2020 (Pro forma)	31 March 2019 (Pro forma)
At 1 April	**14,837,390**	11,432,670	8,173,960
Current service cost	**1,591,773**	1,981,780	1,470,170
Interest expense	**528,504**	472,320	402,690
Payments	**(1,344,271)**	(638,540)	(240,150)
Remeasurements	**1,016,632**	1,589,160	1,626,000
At 31 March	**16,630,028**	14,837,390	11,432,670

20.2 Amounts recognised in the statement of profit or loss and other comprehensive income

The amounts recognised in the statement of profit or loss and other comprehensive income related to employee benefit obligations are as follows:

	For the year ended 31 March		
	2021 (Pro forma)	**2020 (Pro forma)**	**2019 (Pro forma)**
Current service cost	**1,591,773**	1,981,780	1,470,170
Interest cost	**528,504**	472,320	402,690
Total amount recognised in profit or loss	**2,120,277**	2,454,100	1,872,860
Remeasurements			
Loss from change in financial assumptions	**327,367**	1,395,350	1,087,770
Experience gains	**689,265**	193,810	538,230
Total amount recognised in other comprehensive income	**1,016,632**	1,589,160	1,626,000

(All amounts in Saudi Riyals unless otherwise stated)

20 Employee benefit obligations (continued)

20.3 Key actuarial assumptions

	31 March 2021 (Pro forma)	31 March 2020 (Pro forma)	31 March 2019 (Pro forma)
Discount rate	**3.60%**	3.5%	4.3%
Salary growth rate	**3.00%**	3.0%	3.0%

20.4 Sensitivity analysis for actuarial assumptions

Discount rate

	31 March 2021 (Pro forma)	31 March 2020 (Pro forma)	31 March 2019 (Pro forma)
1% increase in discount rate	**(1,946,929)**	(1,820,160)	(1,418,610)
1% decrease in discount rate	**2,325,657**	2,177,980	1,707,050

Salary growth rate

	31 March 2021 (Pro forma)	31 March 2020 (Pro forma)	31 March 2019 (Pro forma)
1% increase in salary growth rate	**2,315,878**	2,184,750	1,711,840
1% decrease in salary growth rate	**(1,974,858)**	(1,844,730)	(1,447,300)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the employee benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

20.5 Expected maturity analysis

The weighted average duration of the defined benefit obligation of the Company is 13 years. The expected maturity analysis of undiscounted post-employment benefits is as follows:

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
31 March 2021 (pro forma)	605,778	458,442	2,410,698	87,986,012	**91,460,930**

21 Short-term borrowings

	31 March 2021 (Pro forma)	31 March 2020 (Pro forma)	31 March 2019 (Pro forma)
Short-term borrowings	**129,200,872**	435,041,816	173,690,007
Accrued financial costs	**1,207,907**	1,385,899	-
Bank overdraft	**-**	-	13,433,918
	130,408,779	436,427,715	187,123,925

These represent short-term bank borrowings and overdraft facilities obtained from various local commercial banks and bear financial charges at prevailing market rates which are based on SIBOR. These facilities are secured against corporate guarantees from shareholders of the Company. The carrying value of the short-term borrowings are denominated in Saudi Riyals.

22 Trade and other payables and accrued financial costs related to shareholders' loans

	Note	31 March 2021 (Pro forma)	31 March 2020 (Pro forma)	31 March 2019 (Pro forma)
Advances from customers		**17,324,513**	38,809,596	96,699,401
Less: non-current advances from customers		**-**	-	(38,371,501)
		17,324,513	38,809,596	58,327,900
Trade payables		**76,529,397**	126,125,923	270,834,425
Salaries and benefits		**7,026,472**	8,727,016	4,366,790
Accrued expenses		**8,284,236**	16,151,563	7,121,906
Related parties	24	**401,501**	31,818	7,519,129
Value added tax payable		**-**	25,033,101	-
Accrued financial costs related to shareholders' loan		**-**	641,836	36,506,923
Other		**3,137**	-	1,370,669
		109,569,256	215,520,853	386,047,742

23 Zakat and income tax matters

23.1 Components of approximate zakat base attributable to Saudi shareholders

The significant components of the zakat base of the Company under zakat and income tax regulation are principally comprised of Saudi shareholders' equity, provisions at the beginning of the year, adjusted income, borrowings, lease liabilities less deductions for the adjusted net book value of property, plant and equipment, right-of-use assets and spare parts.

Zakat is payable at 2.578% of the zakat base, excluding adjusted profit for the year, attributable to the Saudi shareholder. Zakat on adjusted profit for the year is payable at 2.5%.

23.2 Income tax expense

	For the year ended 31 March		
	2021 (Pro forma)	2020 (Pro forma)	2019 (Pro forma)
Current tax	**14,973,921**	22,752,635	-
Deferred tax charge (credit)	**7,264,536**	3,674,401	(2,935,625)
	22,238,457	26,427,036	(2,935,625)

(All amounts in Saudi Riyals unless otherwise stated)

23 Zakat and income tax matters (continued)

23.3 Zakat and income tax payable (refundable)

	Zakat	Income tax	Total
At 1 April 2020 (Pro forma)	4,806,951	19,374,197	**24,181,148**
Provision for the year	5,653,262	14,973,921	**20,627,183**
Payments	(4,642,766)	(22,435,481)	**(27,078,247)**
Advance tax paid during the year	-	(16,029,013)	**(16,029,013)**
At 31 March 2021 (Pro forma)	5,817,447	(4,116,376)	**1,701,071**

Advance income tax amounting to Saudi Riyals 4.1 million is included in trade and other receivables.

	Zakat	Income tax	Total
At 1 April 2019 (Pro forma)	50,378	(3,218,604)	(3,168,226)
Provision for the year	4,756,573	22,752,635	27,509,208
Advance tax paid during the year	-	(159,834)	(159,834)
At 31 March 2020 (Pro forma)	4,806,951	19,374,197	24,181,148

	Zakat	Income tax	Total
At 1 April 2018 (Pro forma)	1,194,901	(4,246,298)	(3,051,397)
Provision for the year	50,378	-	50,378
Adjustments related to prior periods	(167,207)	-	(167,207)
	(116,829)	-	(116,829)
Advance tax paid during the year	(1,027,694)	1,027,694	-
At 31 March 2019 (Pro forma)	50,378	(3,218,604)	(3,168,226)

23.4 Numerical reconciliation of income tax expense to prima facie tax payable

	For the year ended 31 March		
	2021 (Pro forma)	**2020 (Pro forma)**	**2019 (Pro forma)**
Profit before zakat and income tax	**180,782,041**	280,514,660	(90,492,365)
Income tax rate applicable to the Company	**20%**	20%	20%
Effective shareholding subject to income tax	**50.01%**	50.01%	50.01%
Income tax on effective shareholding	**18,081,820**	28,057,076	(9,051,046)
Reconciliation:			
Add: tax effect of deferred tax not recorded in prior year	**4,576,505**	(8,856)	370,972
Add: deferred tax relating to unrecognized carried forward tax losses	**-**	-	985,300
Add: tax effect of amounts which are not taxable in calculating taxable income	**(419,868)**	(1,621,184)	4,759,149
	22,238,457	26,427,036	(2,935,625)

(All amounts in Saudi Riyals unless otherwise stated)

23 Zakat and income tax matters (continued)

23.5 Temporary differences

	31 March 2021 (Pro forma)	31 March 2020 (Pro forma)	31 March 2019 (Pro forma)
Profit before zakat and income tax	**175,667,776**	280,514,660	(90,492,365)
Temporary differences:			
- Depreciation	**-**	-	9,876,860
- Employee benefit obligations	**2,627,487**	2,454,100	4,042,404
- ECL allowance	**2,498,274**	3,927,679	-
- Provision for inventory obsolescence	**648,785**	3,731,391	-
- Other	**(509,834)**	(39,308)	(102,373)
Adjusted net income for the year for zakat purpose	**180,932,488**	290,588,522	(76,675,474)

23.6 Status of certificates and final assessments

The Company has obtained final zakat and income tax assessments from Zakat, Tax and Customs Authority for the years through 2010. The assessments for the years from 2011 through 2020 are currently under review by Zakat, Tax and Customs Authority. The Company has obtained zakat and income tax certificates for the years through 2020.

Subsequent to the reporting date, the Company received zakat and tax assessment for the year 2016 with additional liability of Saudi Riyals 4.6 million. The Company is currently in the process of submitting its objections over the assessment with Zakat, Tax and Customs Authority. Management of the Company believes that no liability will arise upon the ultimate resolution of such assessment. Accordingly, no adjustment has been made in 2021 pro forma financial information.

23.7 Deferred tax liability (assets)

The balance comprises temporary differences attributable to:

	31 March 2021 (Pro forma)	31 March 2020 (Pro forma)	31 March 2019 (Pro forma)
Carry forward losses	**(34,400,639)**	(58,167,969)	(92,341,408)
Employee benefit obligations	**(8,316,679)**	(6,017,775)	(4,609,797)
Provision for inventory obsolescence	**(3,810,379)**	(2,900,129)	(1,034,061)
Property, plant and equipment	**90,275,888**	69,591,599	83,307,135
Other	**(3,731,635)**	1,188,155	-
Taxable (deductible) temporary differences - net	**40,016,556**	3,693,881	(14,678,131)
Deferred tax liability (assets)	**8,003,312**	738,776	(2,935,625)

(All amounts in Saudi Riyals unless otherwise stated)

23 Zakat and income tax matters (continued)

23.8 Deferred tax liability movement

Movement in deferred taxes is attributable to:

	Carry forward losses	**Employee benefit obligations**	**Provision for inventory obsolescence**	**Property, plant and equipment**	**Other**	**Total**
At 1 April 2020 (Pro forma)	11,633,594	1,203,555	580,026	(13,918,320)	(237,631)	**(738,776)**
(Charged) / Credited to: Statement of profit or loss and other comprehensive income	(4,753,466)	459,780	182,050	(4,136,858)	983,958	**(7,264,536)**
At 31 March 2021 (Pro forma)	6,880,128	1,663,335	762,076	(18,055,178)	746,327	**(8,003,312)**

	Carry forward losses	**Employee benefit obligations**	**Provision for inventory obsolescence**	**Property, plant and equipment**	**Other**	**Total**
At 1 April 2019 (Pro forma)	18,468,282	921,959	206,812	(16,661,428)	-	2,935,625
Credited / (charged) to: Statement of profit or loss and other comprehensive income	(6,834,688)	281,596	373,214	2,743,108	(237,631)	(3,674,401)
At 31 March 2020 (Pro forma)	11,633,594	1,203,555	580,026	(13,918,320)	(237,631)	(738,776)

	Carry forward losses	**Employee benefit obligations**	**Provision for inventory obsolescence**	**Property, plant and equipment**	**Other**	**Total**
At 1 April 2018 (Pro forma)	-	-	-	-	-	-
Credited / (charged) to: Statement of profit or loss and other comprehensive income	18,468,282	921,959	206,812	(16,661,428)	-	2,935,625
At 31 March 2019 (Pro forma)	18,468,282	921,959	206,812	(16,661,428)	-	2,935,625

Upon merger, the unused tax losses of WMEPC amounting to Saudi Riyals 50.5 million were not used for the recognition of deferred tax asset due to the uncertainty of admissibility of transfer of unused tax losses to the Company.

(All amounts in Saudi Riyals unless otherwise stated)

24 Related party transactions and balances

Related parties comprise the shareholders, directors, associated companies and key management personnel. Related parties also include business entities in which shareholders have an interest ("other related parties").

The shareholders' agreement requires qualified majority voting for all key decisions. Accordingly, the Company is jointly-controlled by the major shareholders i.e. Welspun Mauritius Holdings Company Limited (50.01%), Aziz Company for Contracting & Industrial Investment (28.5%) and Vision International Investment Co (16.5%). Welspun Mauritius Holdings Company Limited is ultimately controlled by Welspun Corp Limited.

(a) Following are the significant transactions entered into by the Company:

	For the year ended 31 March		
	2021 (Pro forma)	**2020 (Pro forma)**	**2019 (Pro forma)**
Nature of transactions and relationship			
Sales to a shareholders	**-**	-	600,759
Purchases and other related services from a shareholder	**742,009**	3,701,313	3,734,234
Financial charges charged by the shareholders	**5,237,783**	9,342,151	9,708,225
Cost charged by the shareholders	**-**	3,537,588	124,409
Cost charged by other shareholders	**-**	-	1,829,528
IPO expenses charged to shareholders	**5,930,032**	-	-
Cost charged to a shareholder	**-**	-	5,239
Cost charged to associated companies	**184,031**	2,602,477	-
Purchases and other related services from the associated companies	**25,288,897**	-	2,328,324
Corporate guarantee charges to Company	**6,847,944**	-	-

(b) Key management personnel compensation:

	For the year ended 31 March		
	2021 (Pro forma)	**2020 (Pro forma)**	**2019 (Pro forma)**
Salaries and other short-term employee benefits	**3,130,954**	3,548,056	858,812
Post-employment benefits	**113,922**	180,641	33,010
	3,244,876	3,728,697	891,822

(All amounts in Saudi Riyals unless otherwise stated)

24 Related party transactions and balances (continued)

(c) Loans from shareholders

	31 March 2021 (Pro forma)	31 March 2020 (Pro forma)	31 March 2019 (Pro forma)
Welspun Mauritius Holdings Company Limited	**482,827**	76,839,641	91,839,640
Aziz Company for Contracting & Industrial Investment	**275,148**	49,046,018	-
Vision International Investment Co.	**159,288**	29,032,900	-
Mohawareen Industrial Services	**48,176**	-	-
Aziz European Pipe Factory	-	-	53,066,198
Arabian Pipeline Projects Company	-	-	40,012,720
	965,439	154,918,559	184,918,558
Accrued financial costs related to loans from shareholders	**2,199,029**	-	-
	3,164,468	154,918,559	184,918,558

Movement in loans from shareholders is as follows:

	31 March 2021 (Pro forma)	31 March 2020 (Pro forma)	31 March 2019 (Pro forma)
At 1 April	**154,918,559**	154,918,559	184,918,558
			-
Additions	**7,365,577**	-	-
Repayments	**(27,365,577)**	-	-
	134,918,559	154,918,559	184,918,558
Transfer to share capital:			
Welspun Mauritius Holdings Company Limited	**(66,989,955)**	-	-
Aziz Company for Contracting & Industrial Investment	**(38,176,639)**	-	-
Vision International Investment Company	**(22,102,265)**	-	-
Mohawareen Industrial Services	**(6,684,261)**	-	-
	(133,953,120)	-	-
At 31 March	**965,439**	154,918,559	184,918,558

These represent loans obtained from shareholders which carry financial charges at prevailing market rates. These loans are due for repayment within twelve months from the reporting date. The shareholders in their extraordinary general meeting resolved to transfer the principal element of loans amounting to Saudi Riyals 134.0 million from 'loans from shareholders' to 'share capital'.

(All amounts in Saudi Riyals unless otherwise stated)

24 Related party transactions and balances (continued)

(d) Outstanding balances arising from sales / purchases of goods and services

(i) Due from related parties

	31 March 2021 (Pro forma)	31 March 2020 (Pro forma)	31 March 2019 (Pro forma)
Welspun Mauritius Holdings Company Limited	**2,965,609**	-	-
Aziz Company for Contracting & Industrial Investment	**1,791,178**	-	-
Vision International Investment Company	**978,456**	-	-
Mohawareen Industrial Services	**295,909**	-	-
Welspun Corp Limited	**110,779**	3,370	-
Aziz European Pipe Factory	**53,474**	53,474	53,474
	6,195,405	56,844	53,474

(ii) Due to related parties

	31 March 2021 (Pro forma)	31 March 2020 (Pro forma)	31 March 2019 (Pro forma)
Mohawareen Industrial Services	**231,880**	-	119,936
Vision International Investment Co.	**137,804**	-	933,667
Aziz Company for Contracting and Industrial Investment	**-**	-	3,452,605
Welspun Corp Limited	**-**	-	2,231,104
Welspun Mauritius Holding Ltd	**-**	-	250,000
Arabian Pipeline Projects Company	**31,817**	31,818	531,817
	401,501	31,818	7,519,129

25 Financial risk management

25.1 Financial risk factors

The Company's activities expose it to a variety of financial risks including the effects of changes in market risk (including currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by the senior management.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these pro forma financial information.

The BoD of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework and is responsible for developing and monitoring the Company's risk management policies.

25 Financial risk management (continued)

25.1 Financial risk factors (continued)

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

(a) Market risk

(i) Currency risk

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 primarily in Saudi Riyals and United States dollars. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. Exchange differences are mainly from the Company's transactions in United States dollars. The Company manages the currency risk through regular monitoring of the currency markets to determine appropriate action to minimise the foreign exchange risk exposure.

(ii) Fair value and cash flow interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company borrows at interest rates on commercial terms.

Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. At 31 March 2021 and 31 March 2020, the Company's borrowings were denominated in Saudi Riyals.

The long-term borrowings from commercial banks carry variable rates of interest. The Company analyses its interest rate exposure on a regular basis and reassesses the source of borrowings and renegotiates interest rates at terms favourable to the Company. At 31 March 2021, there is no outstanding long-term borrowings from commercial banks.

Sensitivity analysis for financials cost on long-term borrowings:

	At 31 March 2021 (Pro forma)	**At 31 March 2020 (Pro forma)**	**At 31 March 2019 (Pro forma)**
		(Saudi Riyals in millions)	
1% increase in interest rate	-	0.38	0.78
1% decrease in interest rate	-	0.38	0.78

The loans from shareholders carry variable rates of interest. The Company analyses its interest rate exposure on a regular basis and reassesses the source of borrowings and renegotiates interest rates at terms favourable to the Company.

25 Financial risk management (continued)

25.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Fair value and cash flow interest rate risk (continued)

The short-term borrowing interest rates with banks are subject to change upon re-negotiation of the facilities which takes place on at frequent intervals.

Sensitivity analysis for financial costs on short-term borrowing

	At 31 March 2021 (Pro forma)	**At 31 March 2020 (Pro forma)**	**At 31 March 2019 (Pro forma)**
		(Saudi Riyals in millions)	
1% increase in interest rate	1.6	3.0	1.8
1% decrease in interest rate	1.6	3.0	1.8

(iii) Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company's financial assets and liabilities are not exposed to price risk.

(b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk in respect of:

Payment of trade receivables; and
Contractual cash flows related to other financial assets carried at amortised costs.

Trade receivables:

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. At 31 March 2021, 98% of trade receivable balance was due from two customers (31 March 2020 and 2019: 96.1% and 91.3% of trade receivables were due from a customer, respectively). Management believes that this concentration of credit risk is mitigated as such receivable is from a quasi-government customer having an established track record of timely payments.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivable. The Company has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of receivables.

The Company establishes ECL allowance that represents its estimate of potential losses in respect of trade and other receivables. The main components of this loss are a specific loss component that relates to individual exposures and a collective loss component established for similar assets in respect of any potential losses that may have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

25 Financial risk management (continued)

25.1 Financial risk factors (continued)

(b) Credit risk (continued)

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry in which customers operate, has less of an influence on credit risk.

Credit risk on related parties is considered minimal as management monitors and reconciles amounts due from related parties on a regular basis and recoverability is not considered to be doubtful. Management does not expect any losses from non-performance by such related parties. At 31 March 2021, 2020 and 2019, the ECL allowance on related party receivables was immaterial.

Other financial assets carried at amortised costs:

Other financial assets at amortised cost include other receivables. The instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Management consider 'low credit risk' for other receivables. At 31 March 2021, 2020 and 2019, the ECL allowance on other financial assets was immaterial.

Cash at bank:

For banks, parties generally with a minimum rating of P-2 are accepted. The stated rating is as per the global bank ratings by Moody's Investors Service. Management does not expect any losses from non-performance by these counterparties.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Company has access to credit facilities.

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal ratio targets.

(All amounts in Saudi Riyals unless otherwise stated)

25 Financial risk management (continued)

25.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Company's financial liabilities into the relevant maturity grouping based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	Less than one year	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
31 March 2021					
Bank borrowings	131,512,160	-	-	-	**131,512,160**
Lease liabilities	6,362,320	8,095,929	9,100,464	7,944,688	**31,503,401**
Loans from shareholders	4,197,340	-	-	-	**4,197,340**
Trade and other payables and accrued financial costs related to shareholders' loans	92,241,606	-	-	-	**92,241,606**
	234,313,426	8,095,929	9,100,464	7,944,688	**259,454,507**

	Less than one year	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
31 March 2020					
Bank borrowings	523,062,017	-	-	-	523,062,017
Lease liabilities	8,970,927	7,220,928	15,300,464	7,944,689	39,437,008
Loans from shareholders	8,148,454	157,492,958	-	-	165,641,412
Trade and other payables and accrued financial costs related to shareholders' loans	151,678,156	-	-	-	151,678,156
	691,859,554	164,713,886	15,300,464	7,944,689	879,818,593

	Less than one year	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
31 March 2019					
Bank borrowings	264,169,800	38,328,875	-	-	302,498,675
Loans from shareholders	9,734,822	192,215,242	-	-	201,950,064
Trade and other payables and accrued financial costs related to shareholders' loans	327,719,842	-	-	-	327,719,842
	601,624,464	230,544,117	-	-	832,168,581

(All amounts in Saudi Riyals unless otherwise stated)

25 Financial risk management (continued)

25.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the pro forma statement of financial position, less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the pro forma statement of financial position plus net debt.

The gearing ratios at 31 March were as follows:

	31 March 2021 (Pro forma)	31 March 2020 (Pro forma)	31 March 2019 (Pro forma)
Total borrowings including lease liabilities	**161,211,952**	696,408,541	484,408,888
Less: cash and cash equivalents	**(42,316,443)**	(70,784,760)	(16,486,544)
Net debt	**118,895,509**	625,623,781	467,922,344
Total equity	**517,617,070**	231,790,260	(15,951,631)
Total capital	**636,512,579**	857,414,041	451,970,713
Gearing ratio	**19%**	73%	104%

25.3 Net debt reconciliation

The net debt of the Company is as follows:

	31 March 2021 (Pro forma)	31 March 2020 (Pro forma)	31 March 2019 (Pro forma)
Cash and cash equivalents	**42,316,443**	70,784,760	16,486,544
Loans from shareholders	**(3,164,468)**	(154,918,559)	(184,918,558)
Short-term borrowings	**(130,408,779)**	(436,427,715)	(187,123,925)
Lease liabilities	**(27,638,705)**	(34,323,142)	-
Long-term borrowings	**-**	(70,739,125)	(111,475,000)
	(118,895,509)	(625,623,781)	(467,030,939)

(All amounts in Saudi Riyals unless otherwise stated)

25 Financial risk management (continued)

25.3 Net debt reconciliation (continued)

The Company's net debt reconciliation is as follows:

31 March 2021 (Pro forma)	1 April 2020	Cash flows	Transfer	Other	31 March 2021
Cash and cash equivalents	70,784,760	(28,468,317)	-	-	**42,316,443**
Loans from shareholders	(154,918,559)	20,000,000	133,953,120	(2,199,029)	**(3,164,468)**
Short-term borrowings	(436,427,715)	305,840,944	-	177,992	**(130,408,779)**
Lease liabilities	(34,323,142)	6,723,522	-	(39,085)	**(27,638,705)**
Bank borrowings	(70,739,125)	70,198,000	-	541,125	**-**
Net debt	(625,623,781)	374,294,149	133,953,120	(1,518,997)	**(118,895,509)**

31 March 2020 (Pro forma)	1 April 2019	Recognised on adoption of IFRS 16	Cash flows	Transfer	Other	31 March 2020
Cash and cash equivalents	16,486,544	-	54,298,216	-	-	70,784,760
Loans from shareholders	(184,918,558)	-	29,999,999	-	-	(154,918,559)
Short-term borrowings	(187,123,925)	-	(247,917,891)	-	(1,385,899)	(436,427,715)
Lease liabilities	-	(41,361,107)	6,492,185	-	545,780	(34,323,142)
Bank borrowings	(111,475,000)	-	41,277,000	-	(541,125)	(70,739,125)
Net debt	(467,030,939)	(41,361,107)	(115,850,491)	-	(1,381,244)	(625,623,781)

31 March 2019 (Pro forma)	1 April 2018	Cash flows	Transfers	Other	31 March 2019
Cash and cash equivalents	61,035,028	(44,548,484)	-	-	16,486,544
Loans from shareholders	(184,918,558)	-	-	-	(184,918,558)
Short-term borrowings	-	(187,123,925)	-	-	(187,123,925)
Long-term borrowings	(138,448,000)	26,973,000	-	-	(111,475,000)
Net debt	(262,331,530)	(204,699,409)	-	-	(467,030,939)

(All amounts in Saudi Riyals unless otherwise stated)

26 Categories of financial instruments

The following are the measurement categories for the financial instruments held by the Company:

	31 March 2021 (Pro forma)	31 March 2020 (Pro forma)	31 March 2019 (Pro forma)
Financial assets carried at amortised cost as per pro forma statement of financial position			
Trade and other receivables	**325,939,230**	549,131,833	265,963,126
Cash and cash equivalents	**42,316,443**	70,784,760	16,486,544
Total	**368,255,673**	619,916,593	282,449,670
Non-financial assets	**34,357,813**	27,318,200	67,218,194

	31 March 2020 (Pro forma)	31 March 2020 (Pro forma)	31 March 2019 (Pro forma)
Financial liabilities carried at amortised cost as per pro forma statement of financial position			
Bank borrowings	**130,408,779**	507,166,840	299,490,330
Loans from shareholders	**3,164,468**	154,918,559	184,918,558
Lease liabilities	**27,638,705**	34,323,142	-
Trade and other payables and accrued financial costs related to shareholders' loans	**92,241,606**	151,678,156	327,719,842
Total	**253,453,558**	848,086,697	812,128,730
Non-financial liabilities	**17,327,650**	63,842,697	58,327,900

27 Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The Company has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements. Management regularly reviews significant unobservable inputs and valuation adjustments.

As at 31 March 2021, 2020 and 2019, the fair values of the Company's financial instruments are estimated to approximate their carrying values since the financial instruments which do not bear interest are short term in nature and are expected to be realized at their current carrying values within twelve months from the date of statement of financial position, while the financial instruments which bear interest are at variable interest rates, adjusted in line with prevailing market rates.

(All amounts in Saudi Riyals unless otherwise stated)

28 Basic and diluted earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the profit (loss) for the year by the weighted average number of ordinary shares in issue during the year. As the Company does not have any dilutive potential shares, the diluted earnings (loss) per share is the same as the basic earnings (loss) per share.

	For the year ended 31 March		
	2021 (Pro forma)	**2020 (Pro forma)**	**2019 (Pro forma)**
Profit (loss) for the year	**152,890,322**	249,331,051	(87,439,911)
Weighted average number of ordinary shares for basic and diluted earnings (loss) per share	**10,136,952**	7,604,688	7,604,688
Earnings (loss) per share	**15.08**	32.79	(11.50)

The weighted average number of shares for the years ended 31 March 2020 and 2019 have been adjusted to reflect the reduction in number of shares from 76,046,875 shares into 7,604,688 shares.

28.1 Movement in the total number of outstanding shares

	2021	**2020**	**2019**
		(Number of shares)	
At 1 April	**76,046,875**	76,046,875	76,046,875
Increase in the number of shares against retained earnings	**5**	-	-
	76,046,880	76,046,875	76,046,875
Reduction in the number of shares	**(68,442,192)**	-	-
	7,604,688	76,046,875	76,046,875
Increase in the number of shares through conversion of loans from shareholders	**13,395,312**	-	-
At 31 March	**21,000,000**	76,046,875	76,046,875

29 Segment reporting

Subsequent to the Effective date of the merger between the Company and WMEPC, the reporting pack reviewed by the CODM contained the results of both the manufacturing and sale of spiral steel pipes and spiral pipes coating services, separately and hence management considered these as separate operating segments (the “Segments”). However, as of 31 March 2021, the composition of the Company’s operating segments has changed and management has started looking at the results of both the Segments on a combined basis. The reporting pack provided to and reviewed by the CODM also includes the results of both the Segments on a combined basis and hence both the Segments are considered as one operating segment.

30 Contingencies and commitments

As at 31 March 2021, the Company was contingently liable for letters of credits and guarantees in the normal course of business amounting to Saudi Riyals 509.6 million (31 March 2020 and 2019: Saudi Riyals 517.4 million and Saudi Riyals 876.0 million, respectively).

31 Events after the reporting date

Subsequent to the reporting date, the Company received additional zakat and income tax assessments for the year 2016. Also see Note 23. No other events have arisen subsequent to 31 March 2021 and before the date of signing the independent practitioner's assurance report, that could have a significant effect on the pro forma financial information as at 31 March 2021.

32 Approval of pro forma financial information

The pro forma financial information for the year ended 31 March 2021 has been approved by the Board of Directors of the Company on 15 July 2021.

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