EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A Joint Stock Company - Note 1)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022
AND INDEPENDENT AUDITOR'S REPORT

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A Joint Stock Company - Note 1)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

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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 (the "Company") as at 31 March 2022, 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 2022;
- the statement of financial position as at 31 March 2022;
- 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.

Our audit approach

Overview

Key audit matter	• Change in estimated useful lives of plant and machinery

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Independent auditor's report to the shareholders of East Pipes Integrated Company for Industry (continued)

Our audit approach (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Change in estimated useful lives of plant and machinery At 31 March 2022, the Company had property, plant and equipment with a carrying value of Saudi Riyals 262.3 million including 'Plant and machinery' with a carrying value of Saudi Riyals 227.8 million. The Company's management reviews the useful lives of its property, plant and equipment, on an annual basis, as required by the International Accounting Standard 16 'Property, plant and equipment' as endorsed in the Kingdom of Saudi Arabia. Based on the review carried out for the year ended 31 March 2022, management revised the range of estimated useful lives of the 'Plant and machinery' category from 2 - 20 years to 2 - 36 years. This change resulted in the depreciation expense for the year ended 31 March 2022 to be lower by Saudi Riyals 15.6 million as compared to what it would have been using the previous useful lives. The change in useful lives was applied prospectively from 1 April 2021. We considered this as a key audit matter as the assessment of the review of the useful lives requires significant judgements around multiple factors including technical conditions of the 'Plant and machinery' and changes in its future anticipated usage from its historical usage. Refer to Note 2.5 to the financial statements for the accounting policy relating to the property, plant and equipment, Note 3 for the disclosure of significant accounting estimates and Note 10 for the disclosure of matters related to change in useful lives.	Our audit procedures included the following: • Obtained and understood the methodology adopted by management to assess the useful lives of the 'Plant and machinery'; • Involved our in-house technical experts to assess the methodology adopted by management for consistency with best practices followed internationally; • Evaluated whether the revised useful lives are consistent with those commonly used in the industry and that the anticipated usage of plant and machinery justify the revised useful lives considering our knowledge of the business and practice in wider manufacturing industry; • Assessed whether the extended useful lives represent the best estimate in that respect and whether, based on such analysis and technical condition of the 'Plant and machinery', extension of their useful life is justified; • Tested changes of the revised useful lives of such assets in the fixed asset register and recomputed the related depreciation; and • Assessed the adequacy and appropriateness of the related disclosures in the financial statements.

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Independent auditor's report to the shareholders of East Pipes Integrated Company for Industry

Report on the audit of the financial statements

Our opinion

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- the statement of financial position as at 31 March 2022;
- 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.

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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.

Our audit approach

Overview

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We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

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Independent auditor's report to the shareholders of East Pipes Integrated Company for Industry (continued)

Our audit approach (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent auditor's report to the shareholders of East Pipes Integrated Company for Industry (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Company's Annual report but does not include the financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Company's Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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. the 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:

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 (continued)

- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers

Ali H. Al Basri
License Number 409

26 May 2022

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص ٢/٢٥/١١/٣٢٣
س.ت ٢٠٥١٠٦٢٣٨٤
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EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A Joint Stock Company - Note 1)
Statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 March 2022	2021
Revenue	4	**597,465,405**	935,506,334
Cost of revenue	5	**(562,965,344)**	(705,309,370)
Gross profit		**34,500,061**	230,196,964
General and administrative expenses	6	**(15,472,784)**	(12,857,302)
Selling and marketing expenses	7	**(8,404,129)**	(5,546,803)
Reversal of (provision for) expected credit loss allowance	14	**4,376,366**	(2,498,273)
Other operating expenses - net	8	**(232,654)**	(1,615,788)
Operating profit		**14,766,860**	207,678,798
Financial costs	9	**(16,885,407)**	(32,011,022)
Financial income		**275,111**	-
Financial costs - net		**(16,610,296)**	(32,011,022)
(Loss) profit before zakat and income tax		**(1,843,436)**	175,667,776
Zakat expense	22	**(1,061,278)**	(5,596,192)
Income tax expense	22	**(340,606)**	(21,805,561)
(Loss) profit for the year		**(3,245,320)**	148,266,023
Other comprehensive income			
Item that will not be reclassified to profit or loss			
Remeasurements of employee benefit obligations	20	**618,378**	(509,422)
Total comprehensive (loss) income for the year		**(2,626,942)**	147,756,601
(Loss) earnings per share:			
Basic and diluted	27	**(0.15)**	14.63

The accompanying notes are an integral part of these financial statements.

Vipul Shiv Sahai Mathur
Chairman

Mohammed Al Shaheen
Chief Executive Officer

M.S

Mohamed Saleh Ali Darweesh
Chief Financial Officer

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EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A Joint Stock Company - Note 1)
Statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 March 2022	2021
Assets			
Non-current assets			
Property, plant and equipment	10	**262,334,824**	277,380,520
Right-of-use assets	11	**17,992,819**	26,828,566
Intangible assets	12	**117,897**	17,563
Total non-current assets		**280,445,540**	304,226,649
Current assets			
Inventories	13	**39,749,461**	114,495,319
Trade and other receivables	14	**501,842,088**	357,810,654
Cash and cash equivalents	15	**73,881,609**	42,316,443
Total current assets		**615,473,158**	514,622,416
Total assets		**895,918,698**	818,849,065
Equity and liabilities			
Equity			
Share capital	16	**210,000,000**	210,000,000
Statutory reserve	17	**35,005,488**	35,005,488
Retained earnings		**269,984,640**	272,611,582
Total equity		**514,990,128**	517,617,070
Liabilities			
Non-current liabilities			
Lease liabilities	19	**12,833,401**	21,706,377
Deferred tax liabilities	22	**5,097,758**	8,003,312
Employee benefit obligations	20	**16,905,758**	16,630,028
Total non-current liabilities		**34,836,917**	46,339,717
Current liabilities			
Trade and other payables	21	**62,763,366**	109,569,256
Current portion of long-term loans from shareholders	23	**-**	3,164,468
Current portion of lease liabilities	19	**5,651,867**	5,932,328
Short-term borrowings	18	**274,319,530**	130,408,779
Zakat payable	22	**3,356,890**	5,817,447
Total current liabilities		**346,091,653**	254,892,278
Total liabilities		**380,928,570**	301,231,995
Total equity and liabilities		**895,918,698**	818,849,065

These financial statements including accompanying notes were authorized for issue by the Company's Board of Directors on 26 May 2022 and signed on their behalf by:

Vipul Shiv Sahai Mathur **Chairman**	**Mohammed Al Shaheen** **Chief Executive Officer**	**Mohamed Saleh Ali Darweesh** **Chief Financial Officer**

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A Joint Stock Company - Note 1)
Statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained earnings	Total
At 1 April 2020		76,046,875	20,178,886	180,336,614	276,562,375
Profit for the year		-	-	148,266,023	148,266,023
Other comprehensive loss for the year		-	-	(509,422)	(509,422)
Total comprehensive income for the year		-	-	147,756,601	147,756,601
Transfer to statutory reserve	17	-	14,826,602	(14,826,602)	-
Transfer to share capital	16	5	-	(5)	-
Transfer of loans from shareholders	23	133,953,120	-	-	133,953,120
Merger adjustment	1	-	-	(40,655,026)	(40,655,026)
At 31 March 2021		210,000,000	35,005,488	272,611,582	517,617,070
Loss for the year		-	-	(3,245,320)	**(3,245,320)**
Other comprehensive income for the year		-	-	618,378	**618,378**
Total comprehensive loss for the year		-	-	(2,626,942)	**(2,626,942)**
At 31 March 2022		**210,000,000**	**35,005,488**	**269,984,640**	**514,990,128**

The accompanying notes are an integral part of these financial statements.

Vipul Shiv Sahai Mathur **Chairman**	**Mohammed Al Shaheen** **Chief Executive Officer**	**Mohamed Saleh Ali Darweesh** **Chief Financial Officer**

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A joint stock company - Note 1)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 March 2022	2021
Cash flows from operating activities			
(Loss) profit before zakat and income tax		**(1,843,436)**	175,667,776
Adjustments for:			
Depreciation	10, 11	**24,131,159**	38,518,539
Amortization	12	**12,166**	114,591
Gain on early termination of lease liabilities	8	**(393,694)**	-
Provision for inventory obsolescence	13	**359,277**	648,785
(Reversal of) provision for expected credit loss allowance	14	**(4,376,366)**	2,498,273
Financial costs	9	**16,885,407**	32,011,022
Financial income		**(275,111)**	-
Provision for employee benefit obligations	20	**2,245,250**	1,459,983
Changes in operating assets and liabilities:			
Decrease in inventories		**74,386,581**	74,570,486
(Increase) decrease in trade and other receivables		**(131,970,531)**	306,303,155
Decrease in trade and other payables		**(46,805,890)**	(204,450,428)
Cash (used in) generated from operations		**(67,645,188)**	427,342,182
Financial costs paid		**(15,447,148)**	(27,070,312)
Employee benefit obligations paid	20	**(1,915,347)**	(1,344,271)
Zakat and income tax paid	22	**(14,452,532)**	(41,540,216)
Net cash (outflow) inflow from operating activities		**(99,460,215)**	357,387,383
Cash flows from investing activities			
Payments for purchases of property, plant and Equipment	10	**(3,170,193)**	(1,453,303)
Payments for purchases of intangible assets	12	**(112,500)**	(6,005)
Net cash outflow from investing activities		**(3,282,693)**	(1,459,308)
Cash flows from financing activities			
Changes in short-term borrowings		**141,112,780**	(305,840,944)
Repayments of long-term borrowings		-	(70,198,000)
Proceeds from loans from shareholders	23	-	7,365,578
Repayments of loans from shareholders	23	**(965,439)**	(7,365,578)
Repayments of lease liabilities		**(5,839,267)**	(6,723,522)
Net cash inflow (outflow) from financing activities		**134,308,074**	(382,762,466)
Net change in cash and cash equivalents		**31,565,166**	(26,834,391)
Cash transferred	1	-	26,714
Cash and cash equivalents at beginning of year		**42,316,443**	69,124,120
Cash and cash equivalents at end of year	15	**73,881,609**	42,316,443
Non-cash investing and financing activities:			
Modification of lease liabilities	11, 19	**1,279,816**	-
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	23	-	133,953,120

The accompanying notes are an integral part of these financial statements.

Vipul Shiv Sahai Mathur **Chairman**	**Mohammed Al Shaheen** **Chief Executive Officer**	M.S **Mohamed Saleh Ali Darweesh** **Chief Financial Officer**

(All amounts in Saudi Riyals unless otherwise stated)

1 General information

East Pipes Integrated Company for Industry (the "Company") is engaged in manufacturing and sale of spiral steel pipes.

The Company is a joint stock 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 registered address of the Company is P.O. Box 12943, Dammam 31483, Kingdom of Saudi Arabia. The Company's fiscal year begins on 1 April and ends on 31 March of each year.

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).

Initial Public Offering ("IPO") activities

During 2019, the Board of Directors ("BoD") of the Company recommended to initiate legal formalities to file for the Company's IPO with the relevant regulatory authorities in the Kingdom of Saudi Arabia. On 14 June 2021, the IPO was approved by the shareholders of the Company. The Company filed an application with the Capital Market Authority ("CMA") of the Kingdom of Saudi Arabia for the IPO of its shares on the Saudi Stock Exchange ("Tadawul") in accordance with the Rules on the Offer of Securities and Continuing Obligations issued by CMA. The Company's application was approved by the CMA on 29 September 2021. The IPO consisted of the sale of six million and three hundred thousand ordinary shares representing thirty percent of the share capital of the Company. The legal formalities of updating the Company's By-laws and CR to convert the Company from a closed joint stock company to a joint stock company are currently in progress.

Merger with Welspun Middle East Pipes Coating Company ("WMEPC")

Further, as part of its IPO plan, during 2019, the BoD of the Company also recommended to merge the Company with 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, it was a business combination between entities under common control, management 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 net liabilities were transferred to the Company as of the Effective date:

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	
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)**

1 General information (continued)

Change in legal status 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.

COVID-19

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.

During the year ended 31 March 2022, the average prices of the raw materials increased by approximately 51% as compared to the corresponding period which resulted in lower gross margins. In addition, confirmation of certain orders was delayed by the Company's customers due to which the actual production and sales volumes were lower than the budgeted volumes.

Management believes that this situation is temporary and was partially due to the spread of the new COVID-19 variants during this period. Subsequent to the period-end, the raw material prices were reduced. As at 31 March 2022, the Company has a confirmed order back-log of Saudi Riyals 648.7 million which is expected to be delivered in 2022 and the management believes that this will contribute to improved gross margins.

Liquidity position

As of 31 March 2022, the Company has a current ratio of 1.8, cash and cash equivalents of Saudi Riyals 73.9 million and unutilized credit facilities of Saudi Riyals 1.4 billion. The Company's management has also forecasted its liquidity position and believes that the Company will be able to adequately meet its working capital and capital expenditure needs for the coming twelve months from the reporting date.

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 the 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 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 interpretations for the first time for the year ended 31 March 2022:

- Amendments to IFRS 7, IFRS 4, and IFRS 16 – Interest rate benchmark reform – Phase 2; and
- Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the practical expedient.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.1.4 Standards and amendments to the standards adopted and issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2022 reporting periods and have not been early adopted by the Company. Management is in the process of assessing the impact of these amendments on its financial statements, however management believes that these standards are not expected to have a material impact on the Company in the 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.

2 Summary of significant accounting policies (continued)

2.2 Revenue (continued)

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.

2.3 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 ("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 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.

2 Summary of significant accounting policies (continued)

2.4 Zakat and taxes (continued)

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 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.

2 Summary of significant accounting policies (continued)

2.6 Leases (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 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.

2 Summary of significant accounting policies (continued)

2.6 Leases (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 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 24, 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 expenses - 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 Financial income

Financial income is measured using the effective interest rate method.

2.20 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.

2.21 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. 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 the technical condition of the plant and machinery and its future anticipated usage and 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 2022, if the useful lives varied by 10% against the current useful lives with all other variables held constant, the impact on loss 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)

3 Critical accounting estimates and judgments (continued)

Impairment of property, plant and equipment

Management, in accordance with the accounting policy stated in 2.10, tests assets or CGUs for impairment whenever impairment indicators exist. Among others, the events or changes in circumstances which could indicate that an asset or CGU may be impaired mainly include the following:

- actual net cash flows or operating profit or loss flowing from the asset that are significantly worse than those budgeted amounts.

Management determines the recoverable amount of the assets based on value-in-use calculations. These calculations require the use of estimates in relation to the future cash flows and use of an appropriate discount rate applicable to the circumstances of the Company.

Future events could cause the estimates used in these value-in-use calculations to change adversely with a consequent effect on the future results of the Company. Also see Note 10.

4 Revenue

	2022	2021
At a point in time		
- Revenue from sale of goods	**545,283,143**	888,587,534
Overtime		
- Revenue from rendering of services	**52,182,262**	46,918,800
	597,465,405	935,506,334

Revenue of approximately Saudi Riyals 308.2 million for the year ended 31 March 2022 is derived from one external customer (for the year ended 31 March 2021: Saudi Riyals 813.2 million derived from one external customer).

5 Cost of revenue

	Note	2022	2021
Cost of materials		**476,104,469**	608,242,192
Salaries and benefits		**47,095,137**	42,772,231
Depreciation	10, 11	**23,769,656**	38,171,875
Packing material		**1,489,665**	1,651,267
Provision for inventory obsolescence	13	**359,277**	648,785
Amortization	12	**9,733**	91,673
Other		**14,137,407**	13,731,347
		562,965,344	705,309,370

(All amounts in Saudi Riyals unless otherwise stated)

6 General and administrative expenses

	Note	2022	2021
Salaries and benefits		**11,053,119**	7,864,072
Professional fee		**1,132,475**	1,792,313
Utilities		**896,841**	1,013,136
Repairs		**357,683**	263,102
Depreciation	10	**260,711**	249,997
Rent		**92,920**	72,162
Travel		**36,520**	110,995
Amortisation	12	**2,433**	22,918
Other		**1,640,082**	1,468,607
		15,472,784	12,857,302

7 Selling and marketing expenses

	Note	2022	2021
Rent		**4,299,384**	3,801,912
Salaries and benefits		**1,934,558**	1,258,955
Transportation charges		**1,723,769**	-
Depreciation	10	**100,792**	96,667
Other		**345,626**	389,269
		8,404,129	5,546,803

8 Other operating expenses - net

	2022	2021
Foreign exchange loss	**(648,527)**	(1,626,608)
Gain on early termination of lease liabilities	**393,694**	-
Other	**22,179**	10,820
	(232,654)	(1,615,788)

9 Financial costs

	Note	2022	2021
Letter of credit facilities charges		**8,315,465**	9,037,006
Financial costs on short-term borrowings	18	**7,099,593**	15,598,508
Financial costs on lease liabilities	19	**881,662**	1,210,083
Accretion of employee benefit obligations	20	**564,205**	495,784
Financial costs on loans from shareholders	23	**23,189**	5,237,783
Financial costs on long-term borrowings		**-**	431,858
Other		**1,293**	-
		16,885,407	32,011,022

(All amounts in Saudi Riyals unless otherwise stated)

10 Property, plant and equipment

	1 April 2021	Additions	Transfers	31 March 2022
2022				
Cost				
Buildings and leasehold improvements	73,203,402	-	1,202,247	**74,405,649**
Plant and machinery	554,947,490	249,920	1,279,021	**556,476,431**
Furniture, fixtures and office equipment	3,874,528	77,355	-	**3,951,883**
Vehicles	1,348,386	-	-	**1,348,386**
Capital work-in-progress	-	2,842,918	(2,481,268)	**361,650**
	633,373,806	3,170,193	-	**636,543,999**
Accumulated depreciation				
Buildings and leasehold improvements	(36,542,065)	(3,978,328)	-	**(40,520,393)**
Plant and machinery	(314,578,800)	(14,076,632)	-	**(328,655,432)**
Furniture, fixtures and office equipment	(3,595,017)	(142,829)	-	**(3,737,846)**
Vehicles	(1,277,404)	(18,100)	-	**(1,295,504)**
	(355,993,286)	(18,215,889)	-	**(374,209,175)**
Net book value	277,380,520			**262,334,824**

	1 April 2020	Additions	Transfers	Transferred from WMEPC (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)

10.1 Change in useful lives of plant and machinery

During the year ended 31 March 2022, the Company's in-house technical team, in assistance with management's external third-party expert, concluded on the results of a detailed exercise to re-assess the useful lives of plant and machinery, considering multiple factors including historical and future anticipated usage of similar assets, technological changes and other recent changes in the market conditions. As a result of such exercise, the Company's management revised the useful life range of its plant and machinery from 2 - 20 years to 2 - 36 years with effect from 1 April 2021. The revision in estimated useful life range is considered to be a change in accounting estimate and, accordingly, the effect of this change has been adopted prospectively. As a result of this change, the depreciation charge, cost of revenue, loss for the year and total comprehensive loss for the year ended 31 March 2022 decreased by Saudi Riyals 15.6 million compared to what it would have been using the previous useful life range.

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 - 36
• Furniture, fixtures and office equipment	2 - 5
• Vehicles	3 - 5

10.2 Impairment of non-current assets

As at 31 March 2022, the Company carried out detailed impairment assessment for its CGUs. The key estimates used by the Company's management for the impairment calculations were as follows:

- Projected cash flows using approved budgets and forecasts;
- The growth rate considered to project certain cash flows beyond the period covered by approved budget and forecasts;
- The discount rate used was approximately 12.0% based on weighted average cost of capital in the cash flow projects; and
- Expected contract prices over the course of the useful life.

Management has performed a sensitivity analysis around the estimates. There are no estimates or key variables to which a reasonably possible change may cause the carrying value to exceed the recoverable value of the assets resulting in an impairment loss.

11 Right-of-use assets

	Land	Building	Total
Cost			
At 1 April 2021	38,419,329	2,413,580	**40,832,909**
Termination	(7,300,508)	-	**(7,300,508)**
Modification	1,279,816	-	**1,279,816**
At 31 March 2022	32,398,637	2,413,580	**34,812,217**
Accumulated depreciation			
At 1 April 2021	(12,508,270)	(1,496,073)	**(14,004,343)**
Termination	3,100,215	-	**3,100,215**
Depreciation	(5,306,379)	(608,891)	**(5,915,270)**
At 31 March 2022	(14,714,434)	(2,104,964)	**(16,819,398)**
Net book value			
At 31 March 2022	17,684,203	308,616	**17,992,819**

(All amounts in Saudi Riyals unless otherwise stated)

11 Right-of-use assets (continued)

	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

i) Additional information about the Company's leasing activities

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. Also see Note 10.2.

ii) Other amounts recognized in profit and loss and total cash outflow

For the year ended 31 March 2022 and 2021, the Company does not have any short-term or low value lease.

Expense relating to variable lease payments not included in lease liabilities, included in general and administrative expenses and selling and marketing expenses for the year ended 31 March 2022 amounted to Saudi Riyals 4.4 million (2021: Saudi Riyals 3.9 million).

For the year ended 31 March 2022, the total cash outflow for leases was Saudi Riyals 6.7 million (31 March 2021: Saudi Riyals 7.8 million).

12 Intangible assets

	31 March 2022	31 March 2021
Cost		
At 1 April	**2,131,402**	2,125,397
Additions	**112,500**	6,005
At 31 March	**2,243,902**	2,131,402
Accumulated amortization		
At 1 April	**(2,113,839)**	(1,999,248)
Amortization for the year	**(12,166)**	(114,591)
At 31 March	**(2,126,005)**	(2,113,839)
Net book value	**117,897**	17,563

Intangible assets represent software and is amortized on a straight-line basis over their estimated useful life which is 3 years. Also see Note 10.2.

(All amounts in Saudi Riyals unless otherwise stated)

13 Inventories

	31 March 2022	31 March 2021
Raw materials	**10,162,771**	32,160,026
Work-in-progress	**74,562**	1,058,575
Finished products	**6,566,497**	55,732,268
Spare parts and supplies, held not for sale	**30,924,142**	33,163,684
	47,727,972	122,114,553
Less: provision for inventory obsolescence	**(7,978,511)**	(7,619,234)
	39,749,461	114,495,319

Movement in provision for inventory obsolescence is as follows:

	2022	2021
At 1 April	**7,619,234**	5,799,099
Transfer (Note 1)	**-**	1,171,350
Addition	**359,277**	648,785
At 31 March	**7,978,511**	7,619,234

14 Trade and other receivables

	Note	31 March 2022	31 March 2021
Trade receivable		**377,460,787**	323,926,639
Less: ECL allowance		**(2,292,837)**	(6,669,203)
		375,167,950	317,257,436
Advances to suppliers		**107,571,743**	18,935,429
Advance income tax	22	**11,800,913**	4,116,376
Contract assets		**3,282,896**	4,382,058
Prepaid expenses		**3,247,619**	2,746,113
Related parties	23	**-**	6,195,405
Value added tax refundable		**-**	403,355
Other		**770,967**	3,774,482
		501,842,088	357,810,654

(a) Movement in ECL allowance is as follows:

	2022	2021
At 1 April	**6,669,203**	3,927,679
Transfer (Note 1)	**-**	243,251
(Reversal of) provision for ECL allowance	**(4,376,366)**	2,498,273
At 31 March	**2,292,837**	6,669,203

	2022	2021
General ECL allowance	**2,292,837**	5,669,203
Specific ECL allowance	**-**	1,000,000
	2,292,837	6,669,203

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 2022	**Current up to 90 days**	**91 - 180 days past due**	**181 - 365 days past due**	**366 - 730 days past due**	**More than 730 days**	**Total**
Expected loss rate	0.08% - 0.14%	1.2% - 2.4%	1.3% - 2.3%	5.02%	100%	
Gross carrying amount - trade receivable	290,063,722	37,164,199	49,482,934	623,027	126,905	**377,460,787**
ECL allowance	342,370	775,896	1,016,392	31,274	126,905	**2,292,837**

	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

The expected loss rates are based on the payment profiles of sales over a period of 48 months before 31 March 2022 and 31 March 2021 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. Subsequent to the year-end, the Company has collected Saudi Riyals 211.2 million out of its total outstanding trade receivable balance of Saudi Riyals 377.5 million as at the date of the financial statements.

(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 2022, aggregate amount of the transaction price that are partially or fully unsatisfied is Saudi Riyals 0.1 million (31 March 2021: Saudi Riyals 0.2 million). Management expects that 100% of the transaction price allocated to the unsatisfied contracts as at 31 March 2022 will be recognised as revenue during the year ending 31 March 2023.

The Company applies simplified approach for measuring ECL which uses a lifetime expected loss allowance for contract assets. As at 31 March 2022 and 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 2022	31 March 2021
Cash in hand	**7,847**	12,243
Cash at bank	**48,873,762**	42,304,200
Time deposits	**25,000,000**	-
	73,881,609	42,316,443

Time deposits represent placements with a commercial bank for a period of less than three months and yield financial income at prevailing market rates based on Saudi Inter-Bank Offer Rates ("SIBOR").

16 Share capital

As at 31 March 2022, the authorised, issued and fully paid-up share capital comprised of 21,000,000 ordinary shares (31 March 2021: 21,000,000 ordinary shares) of Saudi Riyals 10 each. Following are the major shareholders of the Company:

Shareholder	Country of incorporation	Shareholding percentage 2022	2021
Welspun Mauritius Holdings Company Ltd.	Mauritius	**35.01**	50.01
Aziz Company for Contracting & Industrial Investment	Saudi Arabia	**19.95**	28.50
Vision International Investment Company	Saudi Arabia	**11.55**	16.50

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, during the year ended 31 March 2022, 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 into the share capital. The legal formalities relating to amendment of CR were completed during the year ended 31 March 2021.

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. No such transfer was made during the year ended 31 March 2022 due to loss for the year.

18 Short-term borrowings

	31 March 2022	31 March 2021
Short-term borrowings	**270,313,652**	129,200,872
Accrued financial costs	**4,005,878**	1,207,907
	274,319,530	130,408,779

These represent short-term borrowings obtained from various local commercial banks and bear financial charges at prevailing market rates which are based on SIBOR. The carrying value of the short-term borrowings are denominated in Saudi Riyals.

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 2022	31 March 2021
Future minimum lease payments	**41,057,936**	47,532,936
Less: repayment of minimum lease payments	**(19,712,784)**	(16,029,535)
	21,345,152	31,503,401
Less: future financial costs not yet due	**(2,859,884)**	(3,864,696)
Net present value of minimum lease payment	**18,485,268**	27,638,705
Less: current portion presented under current liabilities	**(5,651,867)**	(5,932,328)
Non-current portion of lease liabilities	**12,833,401**	21,706,377

Movement in lease liabilities is as follows:

	2022	2021
At 1 April	**27,638,705**	31,724,404
Transfer (Note 1)	**-**	2,637,825
Accretion of financial costs during the year	**881,662**	1,210,083
Modification	**1,279,816**	-
Lease terminated during the year	**(4,593,987)**	-
Payments made during the year	**(6,720,928)**	(7,933,607)
At 31 March	**18,485,268**	27,638,705

(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 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 2022.

	Note	2022	2021
At 1 April		**16,630,028**	12,033,140
Transfer	1	**-**	3,475,970
Current service cost		**2,245,250**	1,459,983
Interest expense		**564,205**	495,784
Payments		**(1,915,347)**	(1,344,271)
Remeasurements		**(618,378)**	509,422
At 31 March		**16,905,758**	16,630,028

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:

	2022	2021
Current service cost	**2,245,250**	1,459,983
Interest expense	**564,205**	495,784
Total amount recognised in profit or loss	**2,809,455**	1,955,767
Remeasurements		
Loss (gain) from change in financial assumptions	**1,028,465**	(214,183)
Gain from change in demographic assumptions	**(985,599)**	-
Experience (gains) losses	**(661,244)**	723,605
Total amount recognised in other comprehensive income	**(618,378)**	509,422

20.3 Key actuarial assumptions

	2022	2021
Discount rate	**3.14%**	3.60%
Salary growth rate	**3.00%**	3.00%

(All amounts in Saudi Riyals unless otherwise stated)

20 Employee benefit obligations (continued)

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	1.00%	1.00%	(1,160,763)	1,315,780
Salary growth rate	1.00%	1.00%	1,304,190	(1,172,952)

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 7 years (2021: 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 2022	**1,656,968**	**1,754,538**	**6,160,029**	**41,044,263**	**50,615,798**
31 March 2021	605,778	458,442	2,410,698	87,986,012	91,460,930

21 Trade and other payables

	Note	**31 March 2022**	**31 March 2021**
Trade payables		**30,640,660**	76,529,397
Value added tax payable		**19,797,478**	-
Salaries and benefits		**5,753,318**	7,026,472
Accrued expenses		**3,330,491**	8,284,236
Advances from customers		**1,829,769**	17,324,513
Related parties	23	**1,411,650**	401,501
Other		**-**	3,137
		62,763,366	109,569,256

(All amounts in Saudi Riyals unless otherwise stated)

22 Zakat and income tax matters

22.1 Components of approximate zakat base attributable to Saudi shareholders

	2022	**2021**
Equity at beginning of year	**269,820,391**	138,253,531
Increase in share capital	**-**	66,963,167
Provisions at beginning of year	**15,118,537**	10,205,782
Borrowings, as adjusted	**-**	66,492,060
Lease liabilities	**9,225,294**	13,816,589
Property, plant and equipment, as adjusted	**(136,748,359)**	(138,671,302)
Right-of-use assets, as adjusted	**(8,924,732)**	(13,315,191)
Other	**(16,181,412)**	(16,578,526)
Zakat base excluding adjusted (loss) profit for the year	**132,309,719**	127,166,110
Adjusted (loss) profit for the year	**(2,145,259)**	90,448,151
Approximate zakat base	**130,164,460**	217,614,261

Zakat is payable at 2.578% of the zakat base, excluding adjusted profit for the year, attributable to the Saudi shareholders. Zakat on adjusted profit for the year is payable at 2.5%.

22.2 Income tax expense

	2022	**2021**
Current tax	**584,534**	14,541,025
Prior year adjustment	**2,661,626**	-
Deferred tax (credit) charge	**(2,905,554)**	7,264,536
	340,606	21,805,561

22.3 Zakat payable and advance income tax

	Zakat	**Income tax**	**Total**
At 1 April 2021	5,817,447	(4,116,376)	**1,701,071**
Provisions:			
- Current year	3,356,890	584,534	**3,941,424**
- Prior year adjustment	(2,295,612)	2,661,626	**366,014**
	1,061,278	3,246,160	**4,307,438**
Payment	(3,521,835)	-	**(3,521,835)**
Advance tax paid during the year	-	(10,930,697)	**(10,930,697)**
At 31 March 2022	3,356,890	(11,800,913)	**(8,444,023)**
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

Advance income tax amounting to Saudi Riyals 11.8 million (2021: Saudi Riyals 4.1 million) is included in trade and other receivables.

(All amounts in Saudi Riyals unless otherwise stated)

22 Zakat and income tax matters (continued)

22.4 Numerical reconciliation of income tax expense to prima facie tax payable

	2022	2021
(Loss) profit before zakat and income tax	**(1,843,436)**	175,667,776
Income tax rate applicable to the Company	**20%**	20%
Effective shareholding subject to income tax	**35.01%**	50.01%
Income tax on effective shareholding	**(129,077)**	17,570,291
Reconciliation:		
Adjustment related to prior period	**2,661,626**	-
Tax effect of change in effective foreign shareholding	**(2,400,513)**	-
Tax effect of unrecognized deferred tax assets	**-**	4,655,138
Tax effect of disallowed expenses	**208,570**	(419,868)
	340,606	21,805,561

22.5 Temporary differences

	2022	2021
(Loss) profit before zakat and income tax	**(1,843,436)**	175,667,776
Temporary differences:		
- Employee benefit obligations	**2,809,455**	2,627,487
- (Reversal of) provision for expected credit loss allowance	**(4,376,366)**	2,498,273
- Provision for inventory obsolescence	**359,277**	648,785
- Other	**(1,064,345)**	(509,833)
Adjusted net (loss) income for the year for zakat purpose	**(4,115,415)**	180,932,488

22.6 Status of certificates and final assessments

The Company has obtained zakat and income tax certificates for the years through 2021. ZATCA has finalized the income tax and zakat assessments until the years 2010. ZATCA has not issued final assessments for the years from 2011 through 2015, accordingly these years are deemed assessed based on the relevant time barred provisions in the Income Tax and Zakat Regulations.

During the year ended 31 March 2022, ZATCA issued the final assessment for the year ended 31 March 2016 with an additional income tax and zakat liability of Saudi Riyals 4.6 million. The Company settled an amount of Saudi Riyals 10,825 and filed an appeal against the remaining additional income tax and zakat liability. The management of the Company believes that no material additional liability will arise upon the ultimate resolution of such assessment. Accordingly, no adjustment has been made in 2022 financial statements.

Subsequent to the year ended 31 March 2022, ZATCA issued the final assessment for the year ended 31 March 2017 with an additional zakat liability of Saudi Riyals 2.2 million. The Company is currently in the process of submitting its objections over the assessment with ZATCA. The management of the Company believes that no material liability will arise upon the ultimate resolution of such assessment. Accordingly, no adjustment has been made in 2022 financial statements.

The zakat and income tax assessments for the years from 2018 through 2021 are currently under review by ZATCA.

(All amounts in Saudi Riyals unless otherwise stated)

22 Zakat and income tax matters (continued)

22.7 Deferred tax liabilities

The balance comprises temporary differences attributable to:

	31 March 2022	31 March 2021
Carry forward losses	**(25,847,125)**	(34,400,639)
Employee benefit obligations	**(5,918,708)**	(8,316,679)
Provision for inventory obsolescence	**(2,793,277)**	(3,810,379)
Property, plant and equipment	**60,981,752**	90,275,888
Other	**(933,853)**	(3,731,635)
Taxable temporary differences - net	**25,488,789**	40,016,556
Deferred tax liabilities	**5,097,758**	8,003,312

22.8 Deferred tax 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 2021	(6,880,128)	(1,663,335)	(762,076)	18,055,178	(746,327)	**8,003,312**
Charged (credited) to:						
Statement of profit or loss and other comprehensive income	1,710,702	479,594	203,421	(5,858,828)	559,557	**(2,905,554)**
At 31 March 2022	(5,169,426)	(1,183,741)	(558,655)	12,196,350	(186,770)	**5,097,758**

	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

Upon merger, the unused tax losses of WMEPC amounting to Saudi Riyals 53.5 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)

23 Related party transactions and balances

Related parties comprise the shareholder, directors, associated companies (representing entities which are directly or indirectly controlled by or under the significant influence of the Company's major shareholder), 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	**2022**	**2021**
Purchases and other related services from the associated companies	-	252,883,897
Corporate guarantee charges to Company by the shareholders	**10,929,174**	6,847,944
IPO expenses charged to shareholders	**4,711,531**	5,930,032
Financial charges charged by the shareholders	**23,189**	5,237,783
Purchases and other related services from a shareholder	**329,090**	742,009
Reimbursement of IPO expenses by the shareholders	**12,039,253**	-

The transactions are based on terms agreed as per signed agreements between the Company and the respective related parties.

(b) Key management personnel compensation

	2022	**2021**
Salaries and other short-term employee benefits	**4,584,919**	4,719,928
Post-employment benefits	**259,015**	752,261
	4,843,934	5,472,189

Board of directors' fee for the year ended 31 March 2022 was Saudi Riyals 0.6 million (2021: Nil).

(c) Loans from shareholders

	31 March 2022	**31 March 2021**
Welspun Mauritius Holdings Company Ltd.	-	482,827
Aziz Company for Contracting & Industrial Investment	-	275,148
Vision International Investment Company	-	159,288
Mohawareen Industrial Services	-	48,176
Total principal element of loans from shareholders	-	965,439
Accrued financial costs	-	2,199,029
	-	3,164,468

(All amounts in Saudi Riyals unless otherwise stated)

23 Related party transactions and balances (continued)

(c) Loans from shareholders (continued)

Movement in principal element of loans from shareholders is as follows:

	2022	2021
At 1 April	**965,439**	105,882,396
Transferred 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	**(965,439)**	(3,772,619)
Aziz Company for Contracting & Industrial Investment	-	(3,592,959)
	(965,439)	(7,365,578)
	-	134,918,559
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

These represented loans obtained from shareholders which carried financial charges at prevailing market rates.

(d) Outstanding balances arising from sales / purchases of goods and services

(i) Due from related parties

	31 March 2022	31 March 2021
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
Aziz European Pipe Factory	-	53,474
	-	6,195,405

23 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 2022	**31 March 2021**
Vision International Investment Company	**849,194**	137,804
Welspun Corp Limited	**363,339**	-
Aziz Company for Contracting & Industrial Investment	**199,117**	-
Mohawareen Industrial Services	**-**	231,880
Arabian Pipes Project Co.	**-**	31,817
	1,411,650	401,501

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 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.

24 Financial risk management (continued)

24.1 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 2022 and 31 March 2021, the Company's borrowings were denominated in Saudi Riyals.

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 2022, 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 2021: 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 2022, 99.5% of trade receivable balance were due from three customers (31 March 2021: 98% of trade receivables were due from two customers). 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 receivables. 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.

(All amounts in Saudi Riyals unless otherwise stated)

24 Financial risk management (continued)

24.1 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 2022 and 31 March 2021, 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 considers 'low credit risk' for other receivables and contract assets. At 31 March 2022 and 31 March 2021, 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

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 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 2022					
Bank borrowings	277,444,550	-	-	-	**277,444,550**
Lease liabilities	6,720,928	5,820,928	2,575,824	6,227,472	**21,345,152**
Trade and other payables	41,136,119	-	-	-	**41,136,119**
	325,301,597	5,820,928	2,575,824	6,227,472	**339,925,821**

(All amounts in Saudi Riyals unless otherwise stated)

24 Financial risk management (continued)

24.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than one year	1 to 2 years	2 to 5 years	Over 5 years	Total
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	92,241,606	-	-	-	92,241,606
	234,313,426	8,095,929	9,100,464	7,944,688	259,454,507

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 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:

	2022	2021
Total borrowings including lease liabilities	**292,804,797**	161,211,952
Less: cash and cash equivalents	**(73,881,609)**	(42,316,443)
Net debt	**218,923,188**	118,895,509
Total equity	**514,990,128**	517,617,070
Total capital	**733,913,316**	636,512,579
Gearing ratio	**29.8%**	18.7%

The net debt of the Company is as follows:

	2022	2021
Cash and cash equivalents	**73,881,609**	42,316,443
Loans from shareholders	**-**	(3,164,468)
Short-term borrowings	**(274,319,530)**	(130,408,779)
Lease liabilities	**(18,485,267)**	(27,638,705)
Net debt	**(218,923,188)**	(118,895,509)

(All amounts in Saudi Riyals unless otherwise stated)

24 Financial risk management (continued)

24.3 Net debt reconciliation

The Company's net debt reconciliation is as follows:

	1 April 2021	Cash flows	Transfers	Other	31 March 2022
Cash and cash equivalents	42,316,443	31,565,166	-	-	**73,881,609**
Loans from shareholders	(3,164,468)	965,438	-	2,199,030	-
Short-term borrowings	(130,408,779)	(141,112,780)	-	(2,797,971)	**(274,319,530)**
Lease liabilities	(27,638,705)	5,839,267	-	3,314,171	**(18,485,267)**
Net debt	(118,895,509)	(102,742,909)	-	2,715,230	**(218,923,188)**

	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	(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)

(All amounts in Saudi Riyals unless otherwise stated)

25 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	2022	2021
Assets as per statement of financial position		
Trade and other receivables	**375,167,950**	323,452,841
Cash and cash equivalents	**73,881,609**	42,316,443
Total	**449,049,559**	365,769,284

	Financial liabilities carried at amortised cost	
31 March	2022	2021
Liabilities as per statement of financial position		
Bank borrowings	**274,319,530**	130,408,779
Loans from shareholders	-	3,164,468
Lease liabilities	**18,485,267**	27,638,705
Trade and other payables	**41,136,119**	92,241,606
Total	**333,940,916**	253,453,558

For the purpose of the financial instruments disclosure, non-financial assets and non-financial liabilities amounting to Saudi Riyals 126.7 million and Saudi Riyals 21.6 million respectively (31 March 2021: 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.

26 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 2022 and 31 March 2021, 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)

27 Basic and diluted (loss) earnings per share

Basic (loss) earnings per share is calculated by dividing the (loss) 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 (loss) earnings per share is the same as the basic (loss) earnings per share.

	For the year ended 31 March	
	2022	**2021**
(Loss) profit for the year	**(3,245,320)**	148,266,023
Weighted average number of ordinary shares for basic and diluted (loss) earnings per share	**21,000,000**	10,136,952
(Loss) earnings per share	**(0.15)**	14.63

27.1 Movement in the total number of outstanding shares

	2022	**2021**
	(Number of shares)	
At 1 April	**21,000,000**	76,046,875
Increase in the number of shares against retained earnings	**-**	5
	21,000,000	76,046,880
Reduction in the number of shares	**-**	(68,442,192)
	21,000,000	7,604,688
Increase in the number of shares through conversion of loans from shareholders	**-**	13,395,312
At 31 March	**21,000,000**	21,000,000

Also see Note 16.

28 Contingencies and commitments

As at 31 March 2022, the Company was contingently liable for letters of credits and guarantees in the normal course of business amounting to Saudi Riyals 448.5 million (31 March 2021: Saudi Riyals 479.9 million).

29 Events after the reporting date

See Note 22.6.

No other event has arisen subsequent to 31 March 2022 and before the date of approval of these financial statements, that could have a significant effect on the financial statements as at 31 March 2022.