# EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
# (LISTED JOINT STOCK COMPANY)

## FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

### FOR THE YEAR ENDED 31 MARCH 2025

# FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the year ended 31 March 2025

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# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EAST PIPES INTEGRATED COMPANY FOR INDUSTRY (A LISTED SAUDI JOINT STOCK COMPANY)

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of East Pipes Integrated Company for Industry (the "Company"), which comprise the statement of financial position as at 31 March 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

### 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 are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia, that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 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 auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EAST PIPES INTEGRATED COMPANY FOR INDUSTRY (A LISTED SAUDI JOINT STOCK COMPANY)**

**Report on the Audit of the Financial Statements (continued)**

**Key Audit Matters (continued)**

| **Key audit matter** | **How our audit addressed the key audit matter** |
|---|---|
| **Allowance for expected credit losses** | |
| The gross balance of trade receivables as at 31 March 2025 amounted to ⃁ 607.4 million (2024: ⃁ 811.7 million), against which an allowance for expected credit losses of ⃁ 1.1 million (2024: ⃁ 1.7 million) was maintained.<br><br>The Company is required to regularly assess the recoverability of its trade receivables. The recoverability of trade receivables was significant to our audit due to the value of trade receivables amount and certain customers aged greater than the credit terms.<br><br>Assessment of expected credit losses is highly subjective due to the significant judgement, estimates and assumptions applied by the management in determining the expected losses.<br><br>The management is required to determine an expected loss rate against the outstanding trade receivables based on the Company's historical credit loss experience adjusted with forward-looking information.<br><br>We considered this as a key audit matter given the accounts receivables represents 37.2% (2024: 54.5%) of total assets and the judgements and assumptions regarding the ECL impairment against trade receivables and the potential impact on the Company's financial statements. | Our audit procedures performed included, among others, the following:<br><br>- Obtained and updated our understanding of management's assessment of expected credit losses ("ECL") against trade receivables. We compared the Company's accounting policy and methodology for ECL allowance with the requirements of IFRS 9.<br><br>- Involved our specialist to assess the reasonableness of significant judgments, estimates and assumptions applied in relation to the requirements of IFRS 9. Particularly, we assessed the Company's approach regarding assessment of the probability of default and incorporation of forward-looking information in the calculation of ECL, as well as the changes in loss given default parameter.<br><br>- Evaluated the appropriateness of the Company's criteria and judgement for the determination of individually impaired receivable.<br><br>- Tested the completeness and accuracy of data, on a sample basis, supporting the ECL calculations.<br><br>- Assessed the reasonableness and adequacy of disclosures in the financial statements as required by IFRS 9 ("Financial instruments") and IFRS 7 ("Financial instruments: Disclosures"). |

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EAST PIPES INTEGRATED COMPANY FOR INDUSTRY (A LISTED SAUDI JOINT STOCK COMPANY)**

**Report on the Audit of the Financial Statements (continued)**

**Key Audit Matters (continued)**

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Allowance for expected credit losses (continued)** | |
| *Refer to Note 3.12.1 to the financial statements for the significant accounting policy, Note 5.2.4 for the critical accounting estimates and judgements and Note 27.2.2 which details the disclosure of impairment against trade receivables.* | - In addition, based on a sample basis we tested the existence and collections of the trade receivables. Further, we also verified appropriateness of the trade receivable ageing report. |

**Other information included in the Company's 2025 Annual Report**

Other information consists of the information included in the Company's 2025 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Company's 2025 annual report 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 when it becomes available 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.

**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 IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the applicable provisions of the Regulations for Companies and 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.

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EAST PIPES INTEGRATED COMPANY FOR INDUSTRY (A LISTED SAUDI JOINT STOCK COMPANY)**

**Report on the Audit of the Financial Statements (continued)**

**Responsibilities of Management and Those Charged with Governance for the Financial Statements (continued)**

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 Audit Committee is 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EAST PIPES INTEGRATED COMPANY FOR INDUSTRY (A LISTED SAUDI JOINT STOCK COMPANY)**

**Report on the Audit of the Financial Statements (continued)**

**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

- 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, actions taken to eliminate threats or safeguards applied.

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.

for Ernst & Young Professional Services

Ahmed Ibrahim Reda
Certified Public Accountant
License No. 356

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EY
سجل تجاري ٢٠٥١٠٥٨٧٩٢
CR 2051058792
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

Al Khobar: 28 Duh Al-Qi'dah 1446H
26 May 2025

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(Listed Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2025

| | *Notes* | ***2025*** ⃁ | *2024* ⃁ |
|---|---|---|---|
| Revenue from contracts with customers | 6 | **1,832,845,313** | 1,543,167,801 |
| Cost of revenue | 7 | **(1,372,741,038)** | (1,192,608,580) |
| **GROSS PROFIT** | | **460,104,275** | 350,559,221 |
| General and administration expenses | 8 | **(25,970,285)** | (21,853,233) |
| Selling and marketing expenses | 9 | **(4,928,472)** | (3,563,853) |
| Reversal of / (allowance for) expected credit losses | 18.4 | **596,689** | (1,128,111) |
| **OPERATING PROFIT** | | **429,802,207** | 324,014,024 |
| Other income | 10 | **10,345,662** | 2,112,074 |
| Finance costs | 11 | **(14,862,394)** | (29,264,876) |
| **PROFIT BEFORE ZAKAT AND INCOME TAX** | | **425,285,475** | 296,861,222 |
| Zakat | 12.1 | **(17,643,805)** | (11,791,040) |
| Income tax | 12.3 | **(25,518,062)** | (17,562,301) |
| **PROFIT FOR THE YEAR** | | **382,123,608** | 267,507,881 |
| **OTHER COMPREHENSIVE INCOME** | | | |
| *Other comprehensive (loss) gain that may not be reclassified to profit or loss in subsequent years:* | | | |
| Remeasurement (loss) gain on defined benefits plans | 24 | **(5,090,006)** | 464,559 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **377,033,602** | 267,972,440 |
| **Earnings per share** | | | |
| Basic and diluted | 13 | **12.13** | 8.49 |

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

The attached notes 1 to 33 form an integral part of these financial statements.

# EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(Listed Joint Stock Company)

## STATEMENT OF FINANCIAL POSITION
As at 31 March 2025

| | Notes | *2025* ⃁ | *2024* ⃁ |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property and equipment | 14 | **220,882,572** | 233,003,228 |
| Right-of-use assets | 15.1 | **17,856,847** | 7,189,711 |
| Intangible assets | 16 | **1,980,747** | 1,215,227 |
| **TOTAL NON – CURRENT ASSETS** | | **240,720,166** | 241,408,166 |
| **CURRENT ASSETS** | | | |
| Inventories | 17 | **391,007,201** | 255,904,448 |
| Trade receivables | 18 | **606,293,578** | 810,021,716 |
| Prepayments and other current assets | 19 | **368,820,626** | 102,810,700 |
| Advance for income tax | 12.6 | **17,316,312** | 10,661,328 |
| Cash and cash equivalents | 21 | **7,950,222** | 66,001,206 |
| **TOTAL CURRENT ASSETS** | | **1,391,387,939** | 1,245,399,398 |
| **TOTAL ASSETS** | | **1,632,108,105** | 1,486,807,564 |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| Share capital | 22 | **315,000,000** | 315,000,000 |
| Statutory reserve | 23 | **71,748,360** | 71,748,360 |
| Retained earnings | | **747,698,488** | 465,164,886 |
| **TOTAL EQUITY** | | **1,134,446,848** | 851,913,246 |
| **LIABILITIES** | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Employees' defined benefit liabilities | 24 | **28,373,670** | 21,068,136 |
| Long-term borrowing | 25.2 | - | 98,501,241 |
| Deferred tax liabilities | 12.7 | **13,871,961** | 8,010,046 |
| Lease liabilities | 15.2 | **11,692,562** | 6,566,080 |
| **TOTAL NON-CURRENT LIABILITIES** | | **53,938,193** | 134,145,503 |
| **CURRENT LIABILITIES** | | | |
| Current portion of lease liabilities | 15.2 | **6,531,464** | 885,614 |
| Short-term borrowings | 25.1 | **5,000,000** | 156,806,946 |
| Current portion of long-term borrowing | 25.2 | **98,501,241** | 32,288,550 |
| Trade payables | | **31,401,427** | 17,290,911 |
| Accrued expenses and other current liabilities | 26 | **271,057,496** | 272,902,473 |
| Zakat and income tax provision | 12.5 | **31,231,436** | 20,574,321 |
| **TOTAL CURRENT LIABILITIES** | | **443,723,064** | 500,748,815 |
| **TOTAL LIABILITIES** | | **497,661,257** | 634,894,318 |
| **TOTAL EQUITY AND LIABILITIES** | | **1,632,108,105** | 1,486,807,564 |

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

The attached notes 1 to 33 form an integral part of these financial statements.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(Listed Joint Stock Company)

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2025

| | *Share capital* ⃁ | *Statutory reserve* ⃁ | *Retained earnings* ⃁ | *Total equity* ⃁ |
|---|---|---|---|---|
| Balance as at 1 April 2023 | 315,000,000 | 44,997,572 | 255,443,234 | 615,440,806 |
| Net profit for the year | - | - | 267,507,881 | 267,507,881 |
| Other comprehensive gain | - | - | 464,559 | 464,559 |
| Total comprehensive income for the year | - | - | 267,972,440 | 267,972,440 |
| Dividends (Note 31) | - | - | (31,500,000) | (31,500,000) |
| Transfer to statutory reserve | - | 26,750,788 | (26,750,788) | - |
| Balance at 31 March 2024 | 315,000,000 | 71,748,360 | 465,164,886 | 851,913,246 |
| Balance at 1 Aril 2024 | **315,000,000** | **71,748,360** | **465,164,886** | **851,913,246** |
| Profit for the year | - | - | 382,123,608 | 382,123,608 |
| Other comprehensive loss | - | - | (5,090,006) | (5,090,006) |
| Total comprehensive income for the year | - | - | 377,033,602 | 377,033,602 |
| Dividends (Note 31) | - | - | (94,500,000) | (94,500,000) |
| **Balance at 31 March 2025** | **315,000,000** | **71,748,360** | **747,698,488** | **1,134,446,848** |

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

The attached notes 1 to 33 form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

For the year ended 31 March 2025

| | *Notes* | ***2025*** ⃁ | *2024* ⃁ |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit before zakat and income tax | | **425,285,475** | 296,861,222 |
| *Adjustments to reconcile profit before zakat and income tax to net cash flows:* | | | |
| Depreciation of property, plant, and equipment | 14 | **19,477,543** | 20,393,887 |
| Depreciation of right-of-use assets | 15 | **6,212,715** | 5,769,804 |
| Amortisation of intangible assets | 16 | **386,939** | 417,747 |
| (Reversal of) / provision for inventory obsolescence | 17.3 | **1,542,641** | (720,473) |
| (Reversal of) / allowance for expected credit losses | 18.3 | **(596,689)** | 1,128,111 |
| Gain on disposal of property, plant and equipment | | **(6,500)** | - |
| Finance costs | | **14,862,394** | 29,264,876 |
| Provision for employees' defined benefit liabilities | 24 | **2,546,118** | 2,470,663 |
| | | **469,710,636** | 355,585,837 |
| Changes in working capital: | | | |
| Inventories | | **(136,645,394)** | (193,861,468) |
| Trade receivables | | **210,531,103** | (148,531,725) |
| Prepayments and other current assets | | **(264,810,415)** | (57,691,959) |
| Trade payables | | **14,394,767** | (10,851,241) |
| Accrued expenses and other current liabilities | | **(8,051,253)** | 114,047,971 |
| Net cash generated from operations | | **285,129,444** | 58,697,415 |
| Employees' defined benefit liabilities paid | 24 | **(1,201,185)** | (389,832) |
| Finance costs paid | | **(13,046,234)** | (29,890,133) |
| Zakat and income tax paid | 12.5 | **(21,842,720)** | (12,892,378) |
| Advance tax paid | 12.6 | **(11,455,101)** | (4,800,117) |
| **Net cash flows from operating activities** | | **237,584,204** | 10,724,955 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | 14 | **(7,356,887)** | (4,141,223) |
| Purchases of intangible assets | 16 | **(1,152,459)** | (1,034,379) |
| Proceeds from disposal of property, plant and equipment | | **6,500** | - |
| **Net cash used in investing activities** | | **(8,502,846)** | (5,175,602) |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from short-term borrowings | | **1,115,185,829** | 1,480,875,730 |
| Repayments of short-term borrowings | | **(1,266,992,775)** | (1,566,528,070) |
| Proceeds from long-term borrowings | | - | 130,275,000 |
| Repayment of long-term borrowings | | **(33,750,000)** | - |
| Dividends paid | 31 | **(94,500,000)** | (31,500,000) |
| Payments of lease liabilities | 15.2 | **(7,075,396)** | (6,064,408) |
| **Net cash flows (used in) / from financing activities** | | **(287,132,342)** | 7,058,252 |

The attached notes 1 to 33 form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS (continued)
For the year ended 31 March 2025

| | *Notes* | ***2025*** ⃁ | *2024* ⃁ |
|---|---|---|---|
| **NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS** | | **(58,050,984)** | 12,607,605 |
| Cash and cash equivalents at the beginning of the year | | **66,001,206** | 53,393,601 |
| **Cash and cash equivalents at the end of the year** | 21 | **7,950,222** | 66,001,206 |
| <u>**Significant non-cash transactions**</u> | | | |
| Addition to right-of-use assets and lease liabilities | 15 | **16,879,851** | - |
| Advances from customers recognised against trade receivables | | **6,206,276** | 103,811,428 |
| Transfers from inventories to property, plant and equipment | | - | 3,508,704 |

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

## 1 CORPORATE INFORMATION

East Pipes Integrated Company for Industry (the "Company") is a listed joint stock company licensed under investment license number 121031118992 issued by the Ministry of Investment on 22 Rajab 1431H (corresponding to 4 July 2010G) operating under unified number 7001643902 having Commercial Registration ("CR") number 2050071522 issued in Dammam on 22 Rajab 1431H (corresponding to 4 July 2010G). The Company is engaged in manufacturing of pipes, tubes, hollow shapes from iron and steel.

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 include the operations of the Company and its branch operating under CR number 2050071524 issued in Dammam on 22 Rajab 1431H (corresponding to 4 July 2010). Activities of the Branch include processing and polishing of metals.

## 2 BASIS FOR PREPARATION

These financial statements have been prepared in accordance with IFRS Accounting Standards (IFRS) that are endorsed in KSA and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants (SOCPA) (collectively referred to as "IFRS as endorsed in KSA").

The financial statements are presented in Saudi Riyals ("⃁") which is also the functional currency of the Company and rounded to the nearest Saudi Riyals (except when otherwise indicated).

The financial statements are prepared under the historical cost convention using the accruals basis of accounting. For employees and other post-employment benefits, actuarial present value calculations are used.

The Company has prepared the financial statements on the basis that it will continue to operate as a going concern.

## 3 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all periods presented.

### 3.1 Revenue recognition

Revenue is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company generates revenue from the following sources:

***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 transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Company and its customers at contract inception, to take into consideration the significant financing component.

***Revenue from coating services***

Revenue is measured at the fair value of the consideration received or receivable net of returns and allowances, if any, for the rendering of the services in the ordinary course of the Company's activities.

## 1 CORPORATE INFORMATION

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Revenue is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company generates revenue from the following sources:

***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 transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Company and its customers at contract inception, to take into consideration the significant financing component.

***Revenue from coating services***

Revenue is measured at the fair value of the consideration received or receivable net of returns and allowances, if any, for the rendering of the services in the ordinary course of the Company's activities.

## 3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.1 Revenue recognition (continued)

***Revenue from coating services (continued)***

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 being 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 acknowledgement 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.

### 3.2 Cost of sales

Expenses are recognised when incurred based on the accrual basis of accounting. General and administration expenses and selling and marketing expenses include direct and indirect costs not specifically relating to direct costs of the Company. Allocation between general and administration expenses, selling and marketing cost and direct costs are made on a consistent basis in accordance with allocation factors determined as appropriate by the Company.

### 3.3 Foreign currencies

Transactions in foreign currencies are initially recorded by the Company at their respective spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss and other comprehensive income.

### 3.4 Zakat and taxes

#### 3.4.1 Zakat

Zakat is provided in accordance with the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia and on accruals basis. The provision is charged to the statement of profit and loss.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

#### 3.4.2 Income Tax

In accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"), the Company is subject to income tax attributable to the foreign shareholding in the Company. Provisions for income tax are charged to profit or loss for the year.

#### 3.4.3 Deferred tax

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.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

#### 3.4.4 Value-added tax (VAT)

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

- When receivables and payables are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**3.5 Current versus non-current classification**

The Company presents assets and liabilities in these IFRS financial statements based on current / non-current classification. An asset is current when:

- It is expected to be realised or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realised within twelve months from the statement of financial position date; or
- It is cash or a cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

**3.6 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**3.6 Fair value measurement (continued)**

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Company's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

As of the statement of financial position date, the Company did not have any non-financial assets that are carried at fair value. For fair value disclosure related to financial assets and financial liabilities refer to Note 29.

**3.7 Property, plant and equipment**

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit or loss as incurred.

Depreciation on a straight-line basis is calculated over the estimated useful lives of the assets as follows:

| Class of asset | Years |
|---|---|
| Buildings and leasehold improvements | 10 - 20 |
| Plant and machinery | 2 - 36 |
| Furniture, fixtures and office equipment | 2 - 5 |
| Vehicles | 3 - 5 |

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each period end and adjusted accordingly, if appropriate.

**3.8 Leases**

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

***Company as lessee***

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

**3.8.1 Right-of-use assets**

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

**3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**3.8.1 Right-of-use assets (continued)**

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

| Class of asset | Years |
|---|---|
| Land | 7 - 15 |
| Buildings | 3 |

**3.8.2 Lease liabilities**

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

**3.8.3 Short-term leases and leases of low-value assets**

Short-term leases are leases with a lease term of 12 months or less. Low-value assets are items that do not meet the Company’s capitalisation threshold and are considered to be insignificant for the statement of financial position for the Company as a whole. Payments for short-term leases and leases of low-value assets are recognised on a straight-line basis in the statement of profit or loss.

**3.9 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds and interest charges in respect of lease liabilities.

**3.10 Intangible assets**

Intangibles acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the statement of profit or loss in the period in which the expenditure is incurred

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are 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 are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

**3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**3.11 Impairment of non-financial assets**
The Company assesses at each reporting date whether there is an indication that an asset maybe impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the assets recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's 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 or CGU is considered impaired and is written down to its recoverable amount.

In assessing the value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate (pre-zakat/tax) that reflects current market assessment of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company's impairment calculation is based on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGU's to which the individual asset are allocated. These budgets and forecast calculations are generally covering a five-year period. For longer years, a long-term growth rate is calculated and applied to project future cash flows after the budgeted period.

Impairment losses of continuing operations, including impairment on working capital, if applicable, are recognised in the statement of profit or loss in those expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

Irrespective of whether there is any indication of impairment, the Company shall also test intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing their carrying amount with respective recoverable amount. This impairment test may be performed at any time during an annual period, provided it is performed at the same time every year.

For assets, an assessment is made at each financial year-end as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. This reversal is limited such that the recoverable amount doesn't exceed what the carrying amount would have been, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

**3.12 Financial instruments – initial recognition, subsequent measurement and derecognition**
A financial instrument is any contract that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**3.12.1 Financial assets**

**Initial recognition**
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price under revenue recognition.

**3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**3.12 Financial instruments – initial recognition, subsequent measurement and derecognition (continued)**

**3.12.1 Financial assets (continued)**

**Initial recognition (continued)**
In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

***Subsequent measurement***
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments) - not applicable to the Company
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss - not applicable to the Company

***Financial assets at amortised cost (debt instruments)***
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in statement of profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets are at amortised cost includes trade receivables, cash and cash equivalents, other receivables and advance for income tax.

***Financial assets designated at fair value through OCI (equity instruments)***
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Currently, the Company does not hold any equity instruments.

**3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**3.12 Financial instruments – initial recognition, subsequent measurement and derecognition (continued)**

**3.12.1 Financial assets (continued)**

**Derecognition**
A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  a) The Company has transferred substantially all the risks and rewards of the asset, or
  **b)** The Company has neither transferred nor retained substantially all the risks and rewards of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay

***Impairment***
The Company assesses on a forward-looking basis the Expected Credit Loss ("ECL") associated with its financial assets carried at amortised cost.

For trade receivables and other financial assets, the Company applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables. The amount of the loss is charged to profit or loss.

The loss rates are based on the exposure, probability of default and loss given default. The loss rates are adjusted to reflect current and forward-looking base, best, and worst-case scenario based on the forecasts of future economic conditions of Saudi.

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.

**3.12.2 Financial Liabilities**

***Initial recognition and measurement***
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade payables, other liabilities, lease liabilities, amounts due to related parties and short-term borrowings.

## 3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.12 Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

### 3.12.2 Financial liabilities (continued)

***Subsequent measurement***
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss ("FVTPL") - not applicable to the Company
- Financial liabilities at amortised cost

***Financial liabilities at amortised cost***
This is the category most relevant to the Company. After initial recognition, financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

***Derecognition***
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

### 3.12.3 Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### 3.13 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 labor 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 utilisation in future.

### 3.14 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.

### 3.15 Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

## 3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.16 Provisions (continued)

When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax (zakat) rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 3.17 Employees' benefits

#### 3.17.1 Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves and air fare that are expected to be settled wholly within twelve months after the end of the year in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting year and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in statement of financial position under accrued expenses.

#### 3.17.2 Employees' defined benefit liabilities

The Company operates a non-funded employees end-of-service benefit plan, which is classified as defined benefit obligation under IAS 19 'Employee Benefits'. A defined benefit plan is a plan which is not a defined contribution plan. The liability recognised in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets at that date. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting estimated future cash outflows using market yields at the end of the reporting period of high quality corporate bonds that have terms to maturity approximating to the estimated term of the post-employment benefit liabilities.

Current service cost and interest cost is recorded under direct cost and general and administration expense in statement of profit or loss. Past service costs are recognised in statement of profit or loss on the earlier of date of the plan amendment or curtailment and date that the Company recognises related restructuring costs. Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognised in partners' equity through other comprehensive income in the period in which they arise and are not re-classified to statement of profit or loss in subsequent periods.

Re-measurement gains and losses arising from changes in actuarial assumptions are recognised in the period in which they occur in OCI. Changes in the present value of the DBO resulting from plan amendments or curtailments are recognised immediately in the statement of profit or loss as past service costs.

### 3.18 Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Liabilities which are probable, they are recorded in the statement of financial position under trade payables and accruals. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

### 3.19 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

### 3.20 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.

## 3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.20 Borrowings (continued)

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as “other operating expenses - net” or “financial costs”.

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”.

### 3.21 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 Board of Directors of the Company assesses the financial performance and position of the Company and makes strategic decisions. The Board of Directors has been identified as being the 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.

## 4 NEW AND AMENDED STANDARDS INTERPRETATIONS AND STANDARDS ISSUED NOT YET EFFECTIVE

**New and amended standards interpretations**

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 April 2024 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

*Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7*

The amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk.

The amendments did not have an impact on the Company’s financial statements., as the Company did not have supplier finance arrangement.

**Standards issued but not yet effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

*Lack of exchangeability – Amendments to IAS 21*

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity’s financial performance, financial position and cash flows.

## 4 NEW AND AMENDED STANDARDS INTERPRETATIONS AND STANDARDS ISSUED NOT YET EFFECTIVE (continued)

**Standards issued but not yet effective (continued)**

*Lack of exchangeability – Amendments to IAS 21 (continued)*
The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments are not expected to have a material impact on the Company's financial statements.

*IFRS 18 Presentation and Disclosure in Financial Statements*
In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Company is currently working to identify all impacts the amendments will have on the financial statements and notes to the financial statements.

## 5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements requires management to make judgements, estimates and assumptions that may affect the reported amount of assets and liabilities, revenues, expenses and the accompanying disclosures. Uncertainty about these assumptions and estimates which could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

Other disclosures relating to the exposure to risks and uncertainties include:

| | |
|---|---|
| Capital management | Note 28 |
| Financial instruments and risk management | Note 27 |
| Sensitivity analyses disclosures | Note 27 and 24 |

### 5.1 Judgements

#### 5.1.1 Determining the lease term of contracts with renewal and termination options - Company as lessee
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

## 5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

### 5.1 Judgements (continued)

#### 5.1.1 Determining the lease term of contracts with renewal and termination options - Company as lessee (continued)

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

#### 5.1.2 Component parts of property, plant and equipment

The Company's assets, classified within property, plant and equipment, are depreciated on a straight-line basis over their economic useful lives. When determining the economic useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately. Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to related asset, its pattern of consumption, and its replacement cycle/maintenance schedule.

### 5.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

#### 5.2.1 Useful lives of property, plant and equipment

Management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

#### 5.2.2 Impairment test of non-financial assets

Impairment of non-financial assets incur when the carrying value of an asset or Cash Generating Unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing off the asset. The value in use is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the budget and business plan for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future net cash-inflows and the growth rate used for extrapolation purposes.

#### 5.2.3 Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

#### 5.2.4 Provision for expected credit losses on trade receivables

The Company uses a ECL module to calculate the expected credit losses for trade receivables. The ECL module is based on the exposure, probability of default and loss given default for groupings of various customer segments that have similar loss patterns (i.e., by customer type and coverage by letters of credit and other forms of credit insurance). The loss rates are adjusted to reflect current and forward-looking base, best, and worst-case scenario based on the forecasts of future economic conditions of Saudi Arabia. The information about the ECLs on the Company's trade receivables is disclosed in Note 27.2.2.

**5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**5.2 Judgements (continued)**

**5.2.5 Valuation of employees' defined benefit plan**

The cost of the defined benefit pension plan and other post-employment benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and other assumptions. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

**5.2.6 Leases - Estimating the incremental borrowing rate**

The Company cannot readily determine the interest rate implicit in the lease agreement, therefore, it uses its Incremental Borrowing Rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available, such as for subsidiaries that do not enter into financing transactions or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs, such as market interest rates when available and is required to make certain entity-specific estimates.

**5.2.7 Going Concern**

The Company's management has made an assessment of the company's ability to continue as a going concern and is satisfied that the company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

**6 REVENUE FROM CONTRACTS WITH CUSTOMERS**

**6.1 Disaggregated revenue information**

| | ***2025*** | *2024* |
|---|---|---|
| | ⃁ | ⃁ |
| **Type of revenue** | | |
| Revenue from sale of pipes | **1,673,616,720** | 1,447,348,483 |
| Revenue from coating services | **159,228,593** | 95,819,318 |
| **Total revenue** | **1,832,845,313** | 1,543,167,801 |
| **Geographical markets:** | | |
| Kingdom of Saudi Arabia | **1,832,845,313** | 1,543,167,801 |
| **Timing of revenue recognition:** | | |
| Transferred at a point in time | **1,706,480,873** | 1,519,444,375 |
| Transferred over time | **126,364,440** | 23,723,426 |
| | **1,832,845,313** | 1,543,167,801 |

## 6 REVENUE FROM CONTRACTS WITH CUSTOMERS

**6.2** Following are the contract balances included in the statement of financial position against revenue as at 31 March:

| | *2025* | *2024* |
|---|---|---|
| | ⃁ | ⃁ |
| **Contract balances** | | |
| Trade receivables (Note 18) | **606,293,578** | 810,021,716 |
| Contract assets (Note 19) | **4,873,260** | 6,263,626 |
| | **611,166,838** | 816,285,342 |

## 7 COST OF REVENUE

| | *2025* | *2024* |
|---|---|---|
| | ⃁ | ⃁ |
| Cost of materials | **1,208,185,497** | 1,065,207,512 |
| Salaries and employees' benefits | **89,039,941** | 72,566,967 |
| Short-term rent expenses | **26,654,983** | 14,672,279 |
| Depreciation of property, plant and equipment (Note 14) | **18,964,294** | 19,930,167 |
| Utilities expenses | **10,610,310** | 6,159,008 |
| Depreciation of right-of-use assets (Note 15) | **6,212,715** | 5,769,804 |
| Packing material | **5,160,185** | 2,559,288 |
| Repair expenses | **3,460,205** | 3,678,259 |
| Provision for / (reversal of) inventory obsolescence (Note 17.3) | **1,542,641** | (720,473) |
| Travel expenses | **338,839** | 300,158 |
| Amortisation of intangible assets (Note 16) | **270,857** | 292,423 |
| Others | **2,300,571** | 2,193,188 |
| | **1,372,741,038** | 1,192,608,580 |

## 8 GENERAL AND ADMINISTRATION EXPENSES

| | *2025* | *2024* |
|---|---|---|
| | ⃁ | ⃁ |
| Salaries and employees' benefits | **15,415,452** | 13,415,874 |
| Professional fees* | **4,046,135** | 2,765,874 |
| Directors' fees | **2,741,512** | 2,728,000 |
| Utilities expenses | **1,418,812** | 562,756 |
| Repair expenses | **1,060,431** | 1,133,264 |
| Depreciation of property, plant and equipment (Note 14) | **347,435** | 326,965 |
| Short-term rent expenses | **150,430** | 177,613 |
| Travel expenses | **154,577** | 151,799 |
| Amortisation of intangible assets (Note 16) | **77,388** | 83,549 |
| Others | **558,113** | 507,539 |
| | **25,970,285** | 21,853,233 |

***** Professional fees include audit fees charged for the year ended 31 March 2025 of ⃁ 546,000 (2024: ⃁ 471,250).

## 9 SELLING AND MARKETING EXPENS

| | 2025 | 2024 |
|---|---|---|
| | ⃁ | ⃁ |
| Salaries and employees' benefits | **2,609,916** | 2,291,774 |
| Sales and promotions expenses | **1,186,242** | 305,514 |
| Travel expenses | **319,701** | 346,280 |
| Repair expenses | **218,042** | 224,761 |
| Depreciation of property, plant and equipment (Note 14) | **165,814** | 136,755 |
| Amortisation of intangible assets (Note 16) | **38,694** | 41,775 |
| Others | **390,063** | 216,994 |
| | **4,928,472** | 3,563,853 |

## 10 OTHER INCOME

| | 2025 | 2024 |
|---|---|---|
| | ⃁ | ⃁ |
| Credit notes from vendors | **5,066,873** | - |
| Interest received on short-term deposits | **4,304,857** | 1,421,393 |
| Gain from foreign currencies exchange | **647,190** | 132,413 |
| Others | **326,742** | 558,268 |
| | **10,345,662** | 2,112,074 |

## 11 FINANCE COSTS

| | 2025 | 2024 |
|---|---|---|
| | ⃁ | ⃁ |
| Letter of credit facilities charges | **3,999,330** | 3,903,638 |
| Financial costs on short term borrowings | **2,651,320** | 23,569,503 |
| Interest on employees' defined benefit liabilities (Note 24) | **1,057,417** | 753,106 |
| Financial costs on long term borrowings | **6,186,450** | 514,791 |
| Interest on lease liabilities (Note 15.2) | **967,877** | 523,838 |
| | **14,862,394** | 29,264,876 |

## 12 ZAKAT AND INCOME TAX

### 12.1 Zakat charge for the year

| | 2025 | 2024 |
|---|---|---|
| | ⃁ | ⃁ |
| Current year | **18,025,125** | 11,791,040 |
| Prior year adjustments | **(381,320)** | - |
| | **17,643,805** | 11,791,040 |

**12 ZAKAT AND INCOME TAX (continued)**

**12.2 Principal components of approximate zakat base attributable to Saudi shareholders**

| | *2025* | *2024* |
|---|---|---|
| | ⃁ | ⃁ |
| Equity | **1,169,042,999** | 583,940,806 |
| Provisions | **59,284,360** | 44,942,105 |
| Deductible assets | **(258,944,614)** | (238,366,217) |
| | **969,382,745** | 390,516,694 |
| Adjusted profit for the year | - | 199,300,122 |
| Saudi share of zakat base @ 73.5% | **712,496,318** | - |
| Zakat base | **712,496,318** | 589,816,816 |

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

**12.3 Income tax expense for the year**

| | *2025* | *2024* |
|---|---|---|
| | ⃁ | ⃁ |
| Current tax (Note 12.4) | **19,657,229** | 15,274,549 |
| Adjustment related to prior years | **(1,082)** | (50,763) |
| Deferred tax | **5,861,915** | 2,338,515 |
| | **25,518,062** | 17,562,301 |

**12.4 Effective income tax reconciliation**

| | *2025* | *2024* |
|---|---|---|
| | ⃁ | ⃁ |
| Profit before zakat and income tax | **425,285,475** | 296,861,222 |
| Effective shareholding subject to income tax | **29.59%** | 31.49% |
| Income tax rate applicable to the Company | **20%** | 20% |
| Income tax on effective shareholding | **25,168,394** | 18,696,320 |
| Reconciliation: | | |
| Tax effect of change in effective shareholding | **(8,080,424)** | (2,422,836) |
| Tax effect of disallowed expenses | **2,569,259** | (901,809) |
| | **19,657,229** | 15,371,675 |

**12 ZAKAT AND INCOME TAX (continued)**

**12.5 Movement of zakat provision and income tax**

The movements in the income tax provision were as follows:

| | *Zakat provision* | *Income tax* | *Total* |
|---|---|---|---|
| | ⃁ | ⃁ | ⃁ |
| At 1 April 2024 | **11,750,690** | **8,823,631** | **20,574,321** |
| Provisions: | | | |
| Current year | **18,025,125** | **19,657,229** | **37,682,354** |
| Prior year adjustments | **(381,320)** | **(1,082)** | **(382,402)** |
| | **17,643,805** | **19,656,147** | **37,299,952** |
| Payments | **(11,369,370)** | **(10,473,350)** | **(21,842,720)** |
| Advance adjustment | **-** | **(4,800,117)** | **(4,800,117)** |
| At 31 March 2025 | **18,025,125** | **13,206,311** | **31,231,436** |

| | *Zakat provision* | *Income tax* | *Total* |
|---|---|---|---|
| | ⃁ | ⃁ | ⃁ |
| At 1 April 2023 | 6,451,873 | - | 6,451,873 |
| Provisions: | | | |
| Current year | 11,791,040 | 15,274,549 | 27,065,589 |
| Prior year adjustments | - | (50,763) | (50,763) |
| | 11,791,040 | 15,223,786 | 27,014,826 |
| Payments | (6,492,223) | (6,400,155) | (12,892,378) |
| At 31 March 2024 | 11,750,690 | 8,823,631 | 20,574,321 |

Income tax is payable at 20% of adjusted net profit attributable to the foreign shareholder. As at 31 March 2025 advance income tax amounting to ⃁ 17.3 million (2024: ⃁ 10.6 million).

i. The Company has submitted its zakat and income tax returns to zakat, tax and customs authority "ZATCA" for the years up to 31 March 2024. The Company has obtained zakat and income tax certificates for the years till 31 March 2024. ZATCA has finalised the income tax and zakat assessments until the years ended 31 March 2014 through 2020.

ii. ZATCA has not issued final assessments for the year 2015, accordingly this year is deemed assessed based on the relevant time barred provisions in the Income Tax and Zakat Regulations.

iii. The years ended 31 March 2024 are under review by ZATCA, and ZATCA did not issue assessments for the subjective year yet.

iv. During the year, ZATCA has issued the assessments for the year 2022 and 2023, resulting an additional zakat liability amounting to ⃁ 53,074 for 2022 and ⃁ 107,144 for 2023 along with additional tax liability amounting to ⃁ 34,236 for 2022 and a reduction in tax liability amounting to ⃁ 2,721 for 2023. The Company has accepted and settled the same subsequent to year end

v. ZATCA has not yet raised any assessment for the year 31 March 2021.

## 12 ZAKAT AND INCOME TAX (continued)

### 12.6 Advance income tax

| | *2025* | *2024* |
|---|---|---|
| | ⃁ | ⃁ |
| At 1 April | **10,661,328** | 5,861,211 |
| Payments | **11,455,101** | 4,800,117 |
| Adjusted against income tax | **(4,800,117)** | - |
| At 31 March | **17,316,312** | 10,661,328 |

### 12.7 Deferred tax liabilities

**12.7.1** The balance comprises temporary differences attributable to:

| | *2025* | *2024* |
|---|---|---|
| | ⃁ | ⃁ |
| Carry forward losses | **38,934,254** | - |
| Employee benefit obligations | **(8,129,277)** | (6,582,909) |
| Provision for inventory obsolescence | **(1,675,050)** | (1,296,909) |
| Property, plant and equipment | **40,662,594** | 48,516,004 |
| Others | **(432,712)** | (585,952) |
| | **69,359,809** | 40,050,234 |
| Deferred tax liabilities | **13,871,961** | 8,010,046 |

**12.7.2 Deferred tax movement**

**At 31 March 2025**

| | **Carried forward losses** | **Employees' benefit liabilities** | **Provision for inventory obsolescence** | **Property, plant and equipment** | **Others** | **Total** |
|---|---|---|---|---|---|---|
| | ⃁ | ⃁ | ⃁ | ⃁ | ⃁ | ⃁ |
| At 1 April 2024 | **-** | **(1,316,582)** | **(259,382)** | **9,703,201** | **(117,191)** | **8,010,046** |
| Charged debited / (credited) to profit or loss: | **7,746,851** | **(309,274)** | **(75,628)** | **(1,570,682)** | **30,648** | **5,861,915** |
| **At 31 March 2025** | **7,746,851** | **(1,625,856)** | **(335,010)** | **8,132,519** | **(86,543)** | **13,871,961** |

## 12 ZAKAT AND INCOME TAX (continued)

### 12.7.2 Deferred tax movement (continued)

At 31 March 2024

| | Carried forward losses | Employees' benefit liabilities | Provision for inventory obsolescence | Property, plant and equipment | Others | Total |
|---|---|---|---|---|---|---|
| | ⃁ | ⃁ | ⃁ | ⃁ | ⃁ | ⃁ |
| At 1 April 2023 | (3,926,396) | (1,309,287) | (561,049) | 11,470,555 | (2,292) | 5,671,531 |
| Charged debited / (credited) to profit or loss: | 3,926,396 | (7,295) | 301,667 | (1,767,354) | (114,899) | 2,338,515 |
| At 31 March 2024 | - | (1,316,582) | (259,382) | 9,703,201 | (117,191) | 8,010,046 |

Upon merger of the Company with Welspun Middle East Pipes Coating Company ("WMEPC") in 2020, the unused tax losses of WMEPC amounting to ⃁ 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.

## 13 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the profit for the year attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic, and diluted earnings per share are identical.

The following table reflects the profit and share data used in the basic and diluted EPS calculations:

| | ***2025*** | *2024* |
|---|---|---|
| | ⃁ | ⃁ |
| Profit for the year | **382,123,608** | 267,507,881 |
| Weighted average number of ordinary shares outstanding | **31,500,000** | 31,500,000 |
| Basic and diluted earnings per share from profit for the year | **12.13** | 8.49 |

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares, if any during the year.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

## 14 PROPERTY AND EQUIPMENT

| | *Buildings and leasehold improvements* ⃁ | *Plant and machinery* ⃁ | *Furniture, fixtures and office equipment* ⃁ | *Vehicles* ⃁ | *Capital work-in-progress* ⃁ | *Total* ⃁ |
|---|---|---|---|---|---|---|
| ***Cost*** | | | | | | |
| At 1 April 2024 | 74,945,665 | 563,779,952 | 6,808,242 | 1,559,416 | 44,500 | 647,137,775 |
| Additions during the year | 65,300 | 582,295 | 965,588 | 634,120 | 5,109,584 | 7,356,887 |
| Transfers from CWIP | 46,282 | 2,742,074 | 247,198 | - | (3,035,554) | - |
| Disposal during the year | - | - | - | (123,723) | - | (123,723) |
| At 31 March 2025 | **75,057,247** | **567,104,321** | **8,021,028** | **2,069,813** | **2,118,530** | **654,370,939** |
| ***Accumulated depreciation*** | | | | | | |
| At 1 April 2024 | 48,680,191 | 359,675,935 | 4,377,121 | 1,401,300 | - | 414,134,547 |
| Charge for the year | 4,076,386 | 14,393,838 | 857,944 | 149,375 | - | 19,477,543 |
| Related to disposal | - | - | - | (123,723) | - | (123,723) |
| At 31 March 2025 | **52,756,577** | **374,069,773** | **5,235,065** | **1,426,952** | - | **433,488,367** |
| ***Net book value*** | | | | | | |
| **At 31 March 2025** | **22,300,670** | **193,034,548** | **2,785,963** | **642,861** | **2,118,530** | **220,882,572** |

14.1 Entire property, plant and equipment are mortgaged as security against loan obtained from SIDF (Note 25).

14.2 The production facilities and buildings of the Company are constructed on land leased at a nominal rent from the Saudi Authority for Industrial Cities and Technology Zones (Modon) for a period of 7-15 years.

**14 PROPERTY, PLANT AND EQUIPMENT (continued)**

| | *Buildings and leasehold improvements* | *Plant and machinery* | *Furniture, fixtures and office equipment* | *Vehicles* | *Capital work-in-progress* | *Total* |
|---|---|---|---|---|---|---|
| | ⃁ | ⃁ | ⃁ | ⃁ | ⃁ | ⃁ |
| *Cost* | | | | | | |
| At 1 April 2023 | 74,938,865 | 557,503,900 | 5,341,896 | 1,559,416 | 143,771 | 639,487,848 |
| Additions during the year | 6,800 | 1,388,454 | 1,390,260 | - | 1,355,709 | 4,141,223 |
| Transfers from inventories | - | 3,508,704 | - | - | - | 3,508,704 |
| Transfers from CWIP | - | 1,378,894 | 76,086 | - | (1,454,980) | - |
| At 31 March 2024 | 74,945,665 | 563,779,952 | 6,808,242 | 1,559,416 | 44,500 | 647,137,775 |
| *Accumulated depreciation* | | | | | | |
| At 1 April 2023 | 44,588,974 | 343,878,160 | 3,932,575 | 1,340,951 | - | 393,740,660 |
| Charge for the year | 4,091,217 | 15,797,775 | 444,546 | 60,349 | - | 20,393,887 |
| At 31 March 2024 | 48,680,191 | 359,675,935 | 4,377,121 | 1,401,300 | - | 414,134,547 |
| *Net book value* | | | | | | |
| At 31 March 2024 | 26,265,474 | 204,104,017 | 2,431,121 | 158,116 | 44,500 | 233,003,228 |

**14 PROPERTY, PLANT AND EQUIPMENT (continued)**

14.3 The depreciation charge has been allocated as follows:

| | *2025* | *2024* |
|---|---|---|
| | ⃁ | ⃁ |
| Cost of revenue (Note 7) | **18,964,294** | 19,930,167 |
| General and administration expenses (Note 8) | **347,435** | 326,965 |
| Selling and marketing expenses (Note 9) | **165,814** | 136,755 |
| | **19,477,543** | 20,393,887 |

**15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

The Company has lease contracts for various items of lands and a building used in its operations. Lease agreements have lease terms between 7 and 15 years. The lease agreements do not impose any covenants. Leased assets are not used as security for borrowing purposes (Note 25).

**15.1 RIGHT-OF-USE ASSETS**

| | **Lands** | **Building** | **Total** |
|---|---|---|---|
| | ⃁ | ⃁ | ⃁ |
| Balance at 1 April 2023 | 32,676,264 | 2,921,051 | 35,597,315 |
| Balance at 31 March 2024 | 32,676,264 | 2,921,051 | 35,597,315 |
| Addition during the year | 16,879,851 | - | 16,879,851 |
| **Balance at 31 March 2025** | **49,556,115** | **2,921,051** | **52,477,166** |
| **Accumulated depreciation:** | | | |
| Balance at 1 April 2023 | 20,108,265 | 2,529,535 | 22,637,800 |
| Depreciation expense | 5,378,288 | 391,516 | 5,769,804 |
| Balance at 31 March 2024 | 25,486,553 | 2,921,051 | 28,407,604 |
| Depreciation expense | 6,212,715 | - | 6,212,715 |
| **Balance at 31 Marh 2025** | **31,699,268** | **2,921,051** | **34,620,319** |
| Net Book Value: | | | |
| **Balance at 31 March 2025** | **17,856,847** | - | **17,856,847** |
| Balance at 31 March 2024 | 7,189,711 | - | 7,189,711 |

## 15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

### 15.2 LEASE LIABILITIES

| | ***2025*** | *2024* |
|---|---|---|
| | ⃁ | ⃁ |
| As at 1 April | **7,451,694** | 12,992,264 |
| Additions during the year | **16,879,851** | - |
| Accretion of interest (Note 11) | **967,877** | 523,838 |
| Payments | **(7,075,396)** | (6,064,408) |
| **At 31 March** | **18,224,026** | 7,451,694 |

Lease liabilities is presented in the statement of financial position as follows:

| | ***2025*** | *2024* |
|---|---|---|
| | ⃁ | ⃁ |
| Non-current portion | **11,692,562** | 6,566,080 |
| Current portion | **6,531,464** | 885,614 |
| | **18,224,026** | 7,451,694 |

The maturity analysis of lease liabilities are disclosed in Note 27.2.3.

The following are the amounts recognised in statement of profit or loss:

| | ***2025*** | *2024* |
|---|---|---|
| | ⃁ | ⃁ |
| Depreciation expense of right-of-use assets (Note 7) | **6,212,715** | 5,769,804 |
| Interest expense on lease liabilities (Note 11) | **967,877** | 523,838 |
| Short-term rent expenses (Note 7) | **26,654,983** | 14,672,279 |
| **Total amount recognised in statement of profit or loss** | **33,835,575** | 20,965,921 |

### 16 INTANGIBLE ASSETS

| | *2025* | *2024* |
|---|---|---|
| | ⃁ | ⃁ |
| *Cost:* | | |
| As at 1 April | **3,836,751** | 2,802,372 |
| Additions | **1,152,459** | 1,034,379 |
| As at 31 March | **4,989,210** | 3,836,751 |
| *Accumulated amortisation:* | | |
| As at 1 April | **2,621,524** | 2,203,777 |
| Charge for the year | **386,939** | 417,747 |
| As at 31 March | **3,008,463** | 2,621,524 |
| *Net book value* | | |
| **As at 31 March** | **1,980,747** | 1,215,227 |

Intangible assets represent software and is amortised on a straight-line basis over their estimated useful life which is 3 years.

The amortisation charge has been allocated in the statement of profit or loss as follows:

| | *2025* | *2024* |
|---|---|---|
| | ⃁ | ⃁ |
| Cost of revenue (Note 7) | **270,857** | 292,423 |
| General and administrative expenses (Note 8) | **77,388** | 83,549 |
| Selling and marketing expenses (Note 9) | **38,694** | 41,775 |
| | **386,939** | 417,747 |

### 17 INVENTORIES

| | *2025* | *2024* |
|---|---|---|
| | ⃁ | ⃁ |
| Raw materials (Note 17.1) | **278,662,945** | 206,488,289 |
| Work-in-progress (Note 17.2) | **69,888,918** | 5,939,162 |
| Finished products | **29,890,703** | 27,045,308 |
| Spare parts and supplies, held not for sale | **18,224,448** | 20,548,861 |
| | **396,667,014** | 260,021,620 |
| Less: provision for inventory obsolescence (Note 17.3) | **(5,659,813)** | (4,117,172) |
| | **391,007,201** | 255,904,448 |

**17 INVENTORIES (continued)**

**17.1** All raw material purchases are primarily against confirmed orders.

**17.2** Work-in-progress represents pipes manufactured as at 31 March 2025, which are still in the process of coating. The revenue against these pipes shall be recognised once production is finished and pipes are delivered at customer's site.

**17.3** Movement in the provision for inventory obsolescence was as follows:

| | ***2025*** | *2024* |
|---|---|---|
| | ⃁ | ⃁ |
| As at 1 April | **4,117,172** | 4,837,645 |
| Charged / reversed during the year (Note 7) | **1,542,641** | (720,473) |
| **At the end of the year** | **5,659,813** | 4,117,172 |

**18 TRADE RECEIVABLES**

| | ***2025*** | *2024* |
|---|---|---|
| | ⃁ | ⃁ |
| Trade receivables | **607,388,487** | 811,713,314 |
| Less: allowance for expected credit losses (Note 18. 3) | **(1,094,909)** | (1,691,598) |
| | **606,293,578** | 810,021,716 |

**18.1** Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

**18.2** The ageing of trade receivables and information about the credit exposures are disclosed in Note 27.2.2.

**18.3** Includes ⃁ 6.2 million advance invoices issued as per the agreements with the customers (refer to note 26).

**18.4** Set out below is the movement in the allowance for expected credit losses of trade receivables:

| | ***2025*** | *2024* |
|---|---|---|
| | ⃁ | ⃁ |
| Balance at 1 April | **1,691,598** | 563,487 |
| Charge for the year | **587,166** | 1,378,273 |
| Reversal during the year | **(1,183,855)** | (250,162) |
| | **(596,689)** | 1,128,111 |
| Balance at 31 March | **1,094,909** | 1,691,598 |

## 19 PREPAYMENTS AND OTHER CURRENT ASSETS

| | ***2025*** | *2024* |
|---|---|---|
| | **⃁** | ⃁ |
| Advances to suppliers* | **353,588,929** | 79,095,979 |
| Margin against letters of guarantees | **1,242,991** | 12,855,855 |
| Contract assets | **4,873,260** | 6,263,626 |
| Prepaid expenses | **6,108,141** | 2,061,207 |
| Other receivables | **3,007,305** | 2,534,033 |
| | **368,820,626** | 102,810,700 |

***** Pertains to advances paid to suppliers for purchase of materials and services which are primarily against confirmed order.

## 20 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent shareholders, directors and key management personnel of the Company, and entities controlled or significantly influenced by such parties. The Company in the normal course of business carries out transactions with various related parties.

As of 31 March 2025, there is no due from or due to related parties and no such transaction has occurred which may impact the income statement of the Company.

Compensation of key management personnel of the Company were as follows:

| | ***2025*** | *2024* |
|---|---|---|
| | **⃁** | ⃁ |
| Short-term employee benefits | **5,758,227** | 5,758,227 |
| Post employment benefits | **232,951** | 232,951 |
| Total compensation | **5,991,178** | 5,991,178 |

During the year ended 31 March 2025, the Board of Directors' compensation amounted to ⃁ 2.7 million (2024: ⃁ 2.7 million).

## 21 CASH AND CASH EQUIVALENTS

| | ***2025*** | *2024* |
|---|---|---|
| | **⃁** | ⃁ |
| Cash at bank | **7,941,287** | 20,998,981 |
| Cash in hand | **8,935** | 2,225 |
| Short-term deposits | - | 45,000,000 |
| | **7,950,222** | 66,001,206 |

Short-term deposits represent placements with a commercial bank for an original period of less than three months and yield financial income at prevailing market rate of 5.47% (2024: 5.7%).

## 22 SHARE CAPITAL

As at 31 March 2025, the authorised, issued and fully paid-up share capital comprised of 31,500,000 ordinary shares (2024: 31,500,000) ordinary shares of ⃁10 each (2024: ⃁10 each).

Following is the details of shareholding of the Company:

| | *Notes* | *Shareholding Percentage* | |
|---|---|---|---|
| | | ***2025*** | *2024* |
| | | ***(%)*** | *(%)* |
| Welspun Mauritius Holdings Company Ltd. | *22.1* | **26.50%** | 31.50% |
| Vision International Investment Company | *22.2* | - | 11.55% |
| Saleh Muhammad Hamad Al-Hammadi | | **9.98%** | 9.98% |
| General Public | | **63.52%** | 46.97% |

**22.1** On 9 Jumada Al-Ula 1446H (corresponding to 11 November 2024) Welspun Mauritius Holdings Company Ltd. sold 5% of its shareholding to other private investors on Saudi Tadawul Market.

**22.2** On 29 Safar 1446H (corresponding to 2 September 2024) Vision International Investment Company has sold its entire shareholding to other private investors on Saudi Tadawul Market.

## 23 STATUTORY RESERVE

According to the newly enacted Companies Law and its implementing regulations effective in KSA starting 26 Jumada' II 1444H (corresponding to 19 January 2023), the mandatory statutory reserve requirement was abolished. In pursuant to this change, the Board of Directors resolved to amend the Company's Bylaws to exclude the requirement to maintain a statutory reserve. Further, Board of Directors of the Company recommended the transfer this reserve to retained earnings, this is subject to the shareholders approval in general assembly meeting.

## 24 EMPLOYEES' DEFINED BENEFIT LIABILITIES

The Company has a defined benefit plan (unfunded), which is a termination benefits plan in line with Labor Law requirement in the Kingdom of Saudi Arabia. The Company is required to recognise the provision for employees' end-of-service benefits for the amounts payable at the statement of financial position date in accordance with the employees' contracts of employment applicable to employees' accumulated periods of service. In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of employees' defined benefit liabilities in respect of employees' end-of-service benefits payable under relevant local regulations and contractual arrangements. The main actuarial assumptions used to calculate the defined unfunded benefit liabilities are as follows:

### 24.1 The main actuarial assumptions used to calculate the defined unfunded benefit liabilities are as follows:

| | ***2025*** | *2024* |
|---|---|---|
| | ***(%)*** | ***(%)*** |
| Discount rate | **4.80%** | 5.19% |
| Future salary increases rate | **4.00%** | 3.50% |

**24 EMPLOYEES' DEFINED BENEFIT LIABILITIES (continued)**

The following table represents the movement of the defined benefits plan as at 31 March:

| | *2025* | *2024* |
|---|---|---|
| | ⃁ | ⃁ |
| As at 1 April | **21,068,136** | 18,698,758 |
| Current service cost | **2,546,118** | 2,470,663 |
| Interest cost | **1,057,417** | 753,106 |
| Remeasurement loss / (gain): | | |
| Loss / (gain) from change in financial assumptions | **1,553,277** | (845,074) |
| Experience losses | **3,536,729** | 380,515 |
| | **5,090,006** | (464,559) |
| Payments during the year | **(1,201,185)** | (389,832) |
| Transferred to payables | **(186,822)** | - |
| As at 31 March | **28,373,670** | 21,068,136 |

A quantitative sensitivity analysis for significant assumption on the employees' defined benefit liabilities as at 31 March and the impact on the employees' defined benefit liabilities is shown as below:

| | *2025* | *2024* |
|---|---|---|
| | ⃁ | ⃁ |
| Discount rate (+ 1%) | **(1,719,521)** | (1,255,813) |
| Discount rate (- 1%) | **1,934,270** | 1,405,864 |
| Long term salary (+1%) | **1,930,358** | 1,415,698 |
| Long term salary (- 1%) | **(1,747,859)** | (1,286,948) |

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the employees' defined benefit liabilities as it is unlikely that changes in assumptions would occur in isolation of one another.

The following are the expected payments to the defined benefit plan in future years:

| | *2025* | *2024* |
|---|---|---|
| | ⃁ | ⃁ |
| Within one year | **3,351,169** | 2,326,969 |
| After one year but not more than five years | **14,468,698** | 11,662,176 |
| More than five years | **67,904,785** | 51,819,260 |
| Total expected payments | **85,724,652** | 65,808,405 |

The weighted average duration of the defined benefit obligation of the Company is 6 years (2024: 6 years).

## 25 BORROWINGS

### 25.1 Short term borrowings

| | 2025 ⃁ | 2024 ⃁ |
|---|---|---|
| Short-term borrowings | **5,000,000** | 156,588,505 |
| Accrued finance costs | - | 218,441 |
| | **5,000,000** | 156,806,946 |

**25.1.1** These represent short-term borrowings obtained from various local commercial banks and bear financial charges at prevailing market rates which are based on SIBOR plus 0.5% (2024; 0.5%). The carrying value of the short-term borrowings are denominated in Saudi Riyals**.**

**25.1.2** During the year, the Company has signed a new amendment for a multi-purpose financing facility agreement with a local bank to increase its facility limit to ⃁ 5.486 billion. The facility is secured by promissory note issued by the Company. The Company has withdrawn from facility an amount of ⃁1.115 billion and repaid ⃁1.267 billion during the year.

**25.1.3** During the year, the Company has signed a new agreement with a local bank to obtain various financing facilities for a maximum limit of ⃁ 150 million. The facilities bear financial charges at prevailing market rates which are based on SIBOR plus fixed rate of margin. The facilities are secured by promissory note issued by the Company**.**

### 25.2 Long term borrowing

| | | 2025 ⃁ | 2024 ⃁ |
|---|---|---|---|
| Long-term borrowing | | **135,000,000** | 135,000,000 |
| Accrued evaluation fees | | **3,364,715** | 261,496 |
| less: transaction cost | *25.2.1* | **(1,388,474)** | (4,471,705) |
| Repayments during the year | | **(38,475,000)** | - |
| | *25.2.2* | **98,501,241** | 130,789,791 |

### 25.2.1 Transaction cost

| | 2025 ⃁ | 2024 ⃁ |
|---|---|---|
| Initial recognition | **4,471,705** | 4,725,000 |
| Charged to profit or loss | **(3,083,231)** | (253,295) |
| | **1,388,474** | 4,471,705 |

**25.2.2** This represents upfront commitment fees which is paid at the acquisition of the loan and being amortised over the term of the loan at effective interest rate of 0.4%.

**25 BORROWINGS (continued)**

**25.2.3** Long-term borrowing as at 31 March 2025 is presented in the financial statements as follows:

| | ***2025*** | *2024* |
|---|---|---|
| | ⃁ | ⃁ |
| Non-current portion | - | 98,501,241 |
| Current portion | **98,501,241** | 32,288,550 |
| | **98,501,241** | 130,789,791 |

**25.2.4** During 2024, the Company signed a long-term loan agreement of ⃁ 135 million with Saudi Industrial Development Fund ("SIDF") to finance its working capital. The loan is secured by mortgage of the Company's entire plant, property and equipment on the Company's leased land from Modon (Note 14 & 15).

**25.2.5** The loan carries evaluation fees amounting to ⃁ 4.7 million. The loan is repayable within 2 years from the disbursement date in 4 equal installments.

**26 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

| | | ***2025*** | *2024* |
|---|---|---|---|
| | | ⃁ | ⃁ |
| Advances from customers | *26.1* | **58,383,278** | 106,811,801 |
| Goods received invoice not received | *26.2* | **164,173,309** | 64,035,334 |
| Value added tax payable | | **23,078,797** | 63,563,879 |
| Salaries and benefits | | **14,411,349** | 15,587,377 |
| Accrued expenses | | **11,010,763** | 20,356,242 |
| Other | | - | 2,547,840 |
| | | **271,057,496** | 272,902,473 |

**26.1** Includes ⃁ 6.2 million (2024: ⃁ 103.8) million advances against invoices issued as per the agreements with the customers. As at 31 March 2025, these advances have not yet been collected and hence these have been recorded under trade receivables (Note 18).

**26.2** Represents goods received to perform confirmed orders.

**27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**27.1 The financial instruments are categorised as follows:**

**27.1.1 Financial assets at amortised cost:**

| | ***2025*** | *2024* |
|---|---|---|
| | ⃁ | ⃁ |
| Trade receivables | **606,293,578** | 810,021,716 |
| Other current assets | **9,123,556** | 21,653,514 |
| Cash and cash equivalents | **7,789,189** | 66,001,206 |
| | **623,206,323** | 897,676,436 |

**27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

**27.1.2 Financial liabilities at amortised cost:**

| | ***2025*** | *2024* |
|---|---|---|
| | **⃁** | ⃁ |
| Long-term borrowing | **98,501,241** | 130,789,791 |
| Short-term borrowings | **5,000,000** | 156,806,946 |
| Trade payables | **31,401,427** | 17,290,911 |
| Lease liabilities | **18,224,026** | 7,451,694 |
| Other current liabilities | **95,873,424** | 188,510,897 |
| | **249,000,118** | 500,850,239 |

The Company's principal financial liabilities comprise lease liabilities, trade payables, other current liabilities and short-term borrowings. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade receivables, other receivables, and cash and cash equivalent that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by the Board of Directors that advises on financial risks and the appropriate financial risk governance framework for the Company. The Board of Directors provides assurance to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. There were no changes in the policies and risk objectives during the years ended 31 March 2025 and 2024. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below:

**27.2.1 Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include borrowings and trade payables.

The sensitivity analyses in the following sections relate to the position as at 31 March in 2025 and 2024.

**(i) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's borrowings which expose the Company to cash flow interest rate risk.

***Interest rate sensitivity***

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Company's profit before zakat and income tax is affected through the impact on floating rate borrowings, as follows:

| | ***2025*** | *2024* |
|---|---|---|
| | **⃁** | ⃁ |
| Interest rate – increase by 100 basis points | **1,052,012** | 2,875,967 |
| Interest rate – decrease by 100 basis points | **(1,052,012)** | (2,875,967) |

**(ii) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency).

**27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

**27.2.1 Market risk (continued)**

**(ii) Foreign currency risk (continued)**

The Company's transactions are primarily in Saudi Riyals, United States dollars and EURO. 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 and EURO. The Company manages the currency risk through regular monitoring of the currency markets to determine appropriate action to minimise the foreign exchange risk exposure.

**27.2.2 Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions.

The Company manages its credit risk with respect to the customers by dealing with customers having reliable credit history and by monitoring outstanding balances and with respect to banks by only dealing with reputable banks. The majority of credit risk is mitigated by setting credit limits for individual customers and by monitoring outstanding receivables. As at 31 March 2025, 91% of trade receivables derive from three customers (2024: 85% from three customers).

***(i) Trade receivables***

An impairment analysis is performed at each reporting date using a ECL module to calculate the expected credit losses for trade receivables. The ECL module is based on the exposure, probability of default and loss given default for groupings of various customer segments that have similar loss patterns (i.e., by customer type and coverage by letters of credit and other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 27.2.1. The Company does not hold collateral as security; however, EPC contractors are guaranteed by the LC facilities.

Set out below is the ageing of the Company's trade receivables as at 31 March:

| | ***Gross trade receivables 2025*** ***⃁*** | *Gross trade receivables 2024* ⃁ |
|---|---|---|
| 1 - 90 days | **522,564,856** | 705,452,913 |
| 91-180 days | **6,107,854** | 63,824,224 |
| 181-365 days | **78,395,291** | - |
| 365-730 days | **320,486** | 42,436,177 |
| | **607,388,487** | 811,713,314 |

**27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

**27.2.2 Credit risk (continued)**

The Company classify its trade receivables to government, non-government secured with LCs and non-government not secured. The analysis of trade receivables and ECL rate are as following:

| | ***Gross trade receivables*** | ***Expected credit losses rate*** | ***Expected credit losses*** |
|---|---|---|---|
| | ⃁ | *(%)* | ⃁ |
| **31 March 2025** | | | |
| Government customers | **422,264,195** | **0.09%** | **406,613** |
| Non-government customers secured with LCs | **184,118,566** | **0.27%** | **494,734** |
| Non-government customers not secured | **1,005,726** | **19.24%** | **193,562** |
| | **607,388,487** | | **1,094,909** |

| | *Gross trade receivables* | *Expected credit losses rate* | *Expected credit losses* |
|---|---|---|---|
| | ⃁ | *(%)* | ⃁ |
| 31 March 2024 | | | |
| Government customers | 701,718,868 | 0.13% | 897,770 |
| Non-government customers secured with LCs | 99,986,141 | 0.28% | 283,420 |
| Non-government customers not secured | 10,008,305 | 5.10% | 510,408 |
| | 811,713,314 | | 1,691,598 |

***(ii) Bank balances***

Credit risk from balances with banks is managed by the Company’s treasury department in accordance with the Company’s policy. The Company seeks to manage its credit risk with respect to banks by only dealing with reputable banks. The Company’s maximum exposure to credit risk for the components of the statement of financial position at 31 March 2025 and 2024 is the carrying amounts as illustrated in Note 21.

**27.2.3 Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to realise financial assets quickly at an amount close to its fair value. The Company manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis and seeking Board of Directors support, as and if required to ensure that it will always 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. 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 reasonably be predicted, such as natural disasters. In addition, the Company maintains different lines of credit. The Company's terms of contracts require amounts to be paid within 30-90 days of the date of billings. Trade payables are normally settled within 30 days of billing date or receipt of a correctly rendered invoice.

The table below summarises the maturity profile of the Company’s financial liabilities based on contractual undiscounted payments. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

## 27 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### 27.2.3 Liquidity risk (continued)

| | **less than a year** | **1 to 5 years** | **> 5 years** | **Total** |
|---|---|---|---|---|
| | **⃁** | **⃁** | **⃁** | **⃁** |
| **31 March 2025** | | | | |
| Short-term borrowings | **5,000,000** | **-** | **-** | **5,000,000** |
| Long-term borrowing | **98,501,241** | **-** | **-** | **98,501,241** |
| Lease liabilities | **7,286,207** | **10,525,740** | **2,793,040** | **20,604,987** |
| Trade payables | **31,401,427** | **-** | **-** | **31,401,427** |
| Other current liabilities | **95,873,424** | **-** | **-** | **95,873,424** |
| | **238,062,299** | **10,525,740** | **2,793,040** | **251,381,079** |

| | less than a year | 1 to 5 years | > 5 years | Total |
|---|---|---|---|---|
| | ⃁ | ⃁ | ⃁ | ⃁ |
| 31 March 2024 | | | | |
| Short-term borrowings | 157,407,662 | - | - | 157,407,662 |
| Long-term borrowing | 38,475,000 | 101,250,000 | - | 139,725,000 |
| Lease liabilities | 1,264,408 | 5,104,640 | 3,907,296 | 10,276,344 |
| Trade payables | 17,290,911 | - | - | 17,290,911 |
| Other current liabilities | 188,510,897 | - | - | 188,510,897 |
| | 402,948,878 | 106,354,640 | 3,907,296 | 513,210,814 |

### 27.2.4 Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company’s performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Company’s policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Company to manage risk concentrations at both the relationship and industry levels.

For the purpose of the Company's capital management, capital includes issued capital, and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise equity value.

## 28 CAPITAL MANAGEMENT

For the purpose of the Company's capital management, capital includes issued capital, and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize equity value.

## 28 CAPITAL MANAGEMENT (continued)

The Company's policy is to maintain a strong capital base so as to maintain creditor and to sustain future development of the business. The Company manages its capital structure and makes adjustments in light of changes in economic conditions, business conditions and the requirements of the financial covenants. Management monitors the gearing ratio, which the Company defines as net debt divided by total equity; net debt is total debt less cash and cash equivalent. Management also monitors the level of dividends to shareholders. The Company's net debt to capital ratio at the end of the reporting year was as follows:

| | *2025* | *2024* |
|---|---|---|
| | ⃁ | ⃁ |
| Trade payables | **31,401,427** | 17,290,911 |
| Short-term borrowings | **5,000,000** | 156,806,946 |
| Long-term borrowing | **98,501,241** | 130,789,791 |
| Accrued expenses and other current liabilities | **271,057,496** | 272,902,473 |
| Lease liabilities | **18,224,026** | 7,451,694 |
| Less: cash and cash equivalent | **(7,950,222)** | (66,001,206) |
| Net debt | **416,233,968** | 519,240,609 |
| Total equity | **1,134,446,848** | 851,913,246 |
| Equity and net debt | **1,550,680,816** | 1,371,153,855 |
| **Gearing ratio** | **36.7%** | 37.9% |

In order to achieve this overall objective, the Company's capital management, among other things, aims to ensure that it meets financial covenants attached to the short-term borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of financial covenants of its facility agreements at the year end.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2025 and 31 March 2024.

## 29 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date 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.

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

## 29 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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 realised 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.

## 30 CONTINGENCIES AND COMMITMENTS

The Company is liable for letters of credits and guarantees in the normal course of business ⃁ 714.44 million (2024: ⃁ 768 million).

## 31 DIVIDENDS

For the year ended 31 March 2023, on 5 Dhu al-Qi'dah 1444H (corresponding to 25 May 2023), the Board of Directors, resolved to distribute cash dividends of ⃁ 1 per share amounting to ⃁ 31.5 million. These dividends were fully paid subsequent to the year end.

For the year ended 31 March 2024, on 15 Dhu al-Qi'dah 1445H (corresponding to 23 May 2024), the Board of Directors, resolved to distribute cash dividends of ⃁ 1.5 per share amounting to ⃁ 47.25 million. These dividends were paid during the year.

On 16 Jumada Al-Alkhirah 1446H (corresponding to 17 December 2024), the Board of Directors, further resolved to distribute cash dividends of ⃁ 1.5 per share amounting to ⃁ 47.25 million for the first half of 2025 and paid during the year.

Subsequent to year end, on 23 Duh Al-Qi'dah 1446H (corresponding to 21 May 2025), the Board of Directors, recommended to distribute cash dividends of ⃁ 2.5 per share amounting to ⃁ 78.75 million for the second half of 2025.

## 32 SUBSEQUENT EVENTS

In the opinion of management, except for the note 31, there have been no significant subsequent events since the year ended 31 March 2025 that would have a material impact on the financial position of the Company as reflected in these financial statements.

## 33 APPROVALS OF FINANCIAL STATEMENTS

The financial statements of have been approved by the Board of Directors on 23 Duh Al-Qi'dah 1446H (corresponding to 21 May 2025).