

WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A LIMITED LIABILITY COMPANY)

MANAGEMENT FINANCIAL STATEMENTS

PERIOD COVERING FROM 1ST APRIL 2013 TO 31ST MARCH 2014

WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS
MARCH 31, 2014

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WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A LIMITED LIABILITY COMPANY)

STATEMENT OF INCOME
FOR THE PERIOD FROM 01 APRIL 2013 TO 31 MARCH 2014
Expressed in Saudi Arabian Riyals

| | <u>Note</u> | <u>2013-14</u> | <u>2012-13</u> |
|--|-------------|--------------------|--------------------|
| <u>ASSETS</u> | | | |
| Current assets: | | | |
| Cash & cash equivalents | 4 | 2,502,087 | 2,456,139 |
| Accounts Receivable | | 3,321,527 | 8,420,652 |
| Due from related party | 14 b | 15,235,680 | 23,071,794 |
| Prepayments and other receivables | 5 | 6,351,228 | 6,894,347 |
| Inventories | 6 | 11,128,955 | 25,595,601 |
| Total current assets | | 38,539,477 | 66,438,534 |
| Non-current assets: | | | |
| Property, plant and equipment | 7 | 124,230,193 | 128,947,439 |
| Total Assets | | 162,769,670 | 195,385,973 |
| <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u> | | | |
| Current liabilities: | | | |
| Accounts Payable | | 1,977,090 | 25,316,023 |
| Due to RP | 14a | 3,485,445 | 3,896,816 |
| Accrued and other liabilities | 8 | 17,695,378 | 13,203,685 |
| Current portion SIDF | | 6,000,000 | 4,500,000 |
| Total current liabilities | | 29,157,912 | 46,916,524 |
| Non-current liabilities: | | | |
| Long-term loan from shareholders | 10 | 79,786,163 | 79,786,163 |
| End-of-service indemnities | | 527,790 | 349,640 |
| SIDF | | 29,500,000 | 35,500,000 |
| | | 109,813,953 | 115,635,803 |
| Total liabilities | | 138,971,865 | 162,552,327 |
| Shareholders' equity: | | | |
| Share capital | 9 | 33,765,625 | 33,765,625 |
| Accumulated losses | | (9,967,820) | (931,979) |
| Total shareholders' equity | | 23,797,805 | 32,833,646 |
| Total Liabilities And Shareholders' Equity | | 162,769,670 | 195,385,973 |

The accompanying notes 1 through 15 form an integral part of these financial statements.

For Welspun Middle East Pipes Coating Company


Mohammed Atheruddin Asif
(WME Head –F&A)

Akbar Umatiya
(WME Unit Head & VP)

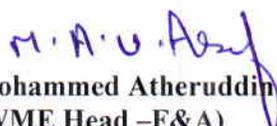
WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A LIMITED LIABILITY COMPANY)

STATEMENT OF INCOME
FOR THE PERIOD FROM 01 APRIL 2013 TO 31 MARCH 2014
Expressed in Saudi Arabian Riyals

| | <u>Note</u> | <u>2013-14</u> | <u>2012-13</u> |
|--|-------------|--------------------|-------------------|
| Revenue | | 46,405,213 | 104,374,836 |
| Cost of revenue | | (45,521,405) | (91,532,774) |
| Gross loss | | 883,808 | 12,842,063 |
| General & administrative expenses | 12 | (4,303,550) | (7,529,677) |
| Net Loss from Operations | | (3,419,742) | 5,312,386 |
| Finance charges | 13 | (5,381,652) | (5,640,053) |
| Other income | | 487,196 | 366,025 |
| Net Profit/ (loss) Befor Tax | | (8,314,198) | 38,358 |
| Zakat & Taxation | | (721,643) | (6,572) |
| Net Profit/ (loss) for the Period | | (9,035,841) | 31,785 |

The accompanying notes 1 through 15 form an integral part of these financial statements.

For Welspun Middle East Pipes Coating Company


Mohammed Atheruddin Asif
(WME Head –F&A)


Akbar Umariya
(WME Unit Head & VP)

WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A LIMITED LIABILITY COMPANY)

STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 01 APRIL 2013 TO 31 MARCH 2014
Expressed in Saudi Arabian Riyals

| | 2013-14 | 2012-13 |
|---|--------------------|---------------------|
| Cash flows from operating activities: | | |
| Net profit/(loss) for the period | (9,035,841) | 31,785 |
| <i>Adjustments to reconcile net loss for the period to net cash used in operating activities:</i> | | |
| Depreciation | 7,847,761 | 7,748,745 |
| Employees' end of service benefits | 246,452 | 418,390 |
| Provision for Zakat & Tax | 728,215 | 6,572 |
| Finance expenses | 5,381,652 | 5,640,053 |
| | 5,168,239 | 13,845,545 |
| Changes in operating assets and liabilities: | | |
| Accounts receivables | 5,099,125 | 6,082,533 |
| Due from related parties | 7,836,115 | (23,071,794) |
| Prepayments and other current assets | 543,119 | 1,712,224 |
| Inventories | 14,466,647 | (7,286,430) |
| Accounts payable | (23,338,933) | 20,924,177 |
| Due to related parties | (411,371) | (42,337,653) |
| Accrued expenses and other current liabilities | (381,510) | (3,428,746) |
| Employees end of services paid | (68,302) | (115,265) |
| Net cash provided by operating activities | 8,913,128 | (33,675,410) |
| Cash flows from investing activities: | | |
| Purchase property, plant & equipment | (3,130,515) | (5,604,972) |
| Net cash used in investing activities | (3,130,515) | (5,604,972) |
| Cash flows from financing activities: | | |
| Share capital issued | - | - |
| Loans received during the period/(Repaid) | (4,500,000) | 21,989,288 |
| Finance Charges paid | (1,236,666) | (748,578) |
| Absorbtion of losses by shareholders | - | 19,746,040 |
| Net cash flows provided from financing activities | (5,736,666) | 40,986,750 |
| Net increase in cash and cash equivalents | 45,948 | 1,706,367 |
| Cash and cash equivalents at beginning of the period | 2,456,139 | 749,772 |
| Cash and cash equivalents at the end of period | 2,502,087 | 2,456,139 |

The accompanying notes 1 through 15 form an integral part of these financial statements.

WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A LIMITED LIABILITY COMPANY)

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 01 APRIL 2013 TO 31 MARCH 2014
Expressed in Saudi Arabian Riyals

| | Share capital | Accumulated losses | Total |
|-------------------------------------|--------------------------|---------------------------|-------------------|
| Share capital issued | 33,765,625 | - | 33,765,625 |
| Net Profit / (loss) for the period | - | (931,979) | (931,979) |
| Balance as at March 31, 2013 | 33,765,625 | (931,979) | 32,833,646 |
| Net Profit / (loss) for the period | - | (9,035,841) | (9,035,841) |
| Balance as at March 31, 2014 | 33,765,625 | (9,967,820) | 23,797,805 |

The accompanying notes 1 through 15 form an integral part of these financial statements.

WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 01 APRIL 2013 TO 31 MARCH 2014
Expressed in Saudi Arabian Riyals

1. LEGAL STATUS AND OPERATIONS

Welspun Middle East Pipes Company Company (“the Company”) is a limited liability company formed under the Regulations for Companies in the Kingdom of Saudi Arabia under Commercial Registration No. 2050071524 dated 22/7/1431H, corresponding to July 5, 2010. The Company was originally named as Al Tanmiah for Pipe Coating Company, as per the first draft of Articles of Association (AoA) which was changed to Welspun Middle East Pipes Coating Company, as per the revised AoA. The CR was obtained with the new name of the Company.

The principal activities of the Company are Spiral Pipes Coating. The Company operates in Saudi Arabia under the license of Saudi Arabian General Investment Authority (SAGIA) No. 121031119001 dated 16/11/1431H, corresponding to October 24, 2010.

The Company’s registered office is located at, 2nd Industrial Estate, Damam, Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

The first accounting period of the Company, as dictated by the Articles of Association of the Company is from the CR date 05 July 2010 to 31 December 2011. These financial statements cover the period from 01 April 2013 to 31 March 2014 for the purpose of management.

(a) Statement of compliance

The accompanying financial statements have been prepared in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (“SOCPA”).

(b) Accounting convention

The financial statements are prepared under the historical cost convention using the accrual basis of accounting and the going concern concept.

(c) Functional and presentation currency

The accompanying financial statements are prepared in Saudi Arabian Riyals (SR) which is the functional currency of the Company.

(d) Use of estimate and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 01 APRIL 2013 TO 31 MARCH 2014
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3. **SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of the significant accounting policies applied by the Company in the preparation of these financial statements:

(a) **Cash and cash equivalents**

Cash and cash equivalents comprise of cash on hand, cash at banks and other short-term highly liquid investments, if any, with original maturities of three months or less.

(b) **Property, plant & equipment**

These are stated at cost less accumulated depreciation and impairment, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the asset. All other expenditure is recognized in the statement of income when incurred.

Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. The estimated useful lives of assets for current and comparative periods are as follow:

| | <u>Years</u> |
|---|--------------|
| Buildings | 20 |
| Plant & Machinery & Equipment | 5-20 |
| Furniture, fixtures & office equipments | 3-5 |
| Vehicles | 5 |

(c) **Impairment of assets**

Property, plant & equipments are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss, if any, is recognized in the statement of income for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less cost to sell and its value in use.

(d) **Provisions**

A provision is recognized if, as a result of past events, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

(e) **Employees' end of service benefits**

Employees' end of service benefits, calculated in accordance with Saudi Arabian labour regulations, are accrued and charged to the Statement of Income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services be terminated at the balance sheet date.

WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Expenses

General and administrative expenses include various expenses as required under generally accepted accounting principles. Finance expenses comprise bank charges and interest payable on bank debts.

(g) Income tax

The Company is subject to the Regulations of Department of Zakat and Income Tax (DZIT) in the Kingdom of Saudi Arabia. Being a foreign owned entity, the Company is subject to Income Tax at the rate of 20%.

Zakat is booked on an accrual basis and is computed on Company's Zakat base and charged to statement of operations. Any difference in estimate is recorded when the final assessment is approved, at which time the provision is cleared. Additional liabilities arising from final assessments are provided for when the assessments are finalized with the DZIT. The Zakat provision is charged to the statement of income..
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(h) Foreign currencies translation

Transactions denominated in foreign currencies are translated into Saudi Arabian Riyals at exchange rates prevailing at the dates of such transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi Arabian Riyals at exchange rates prevailing at the balance sheet date. Exchange gains or losses are credited or charged to the statement of income.

(i) Leases

Leases are classified as capital leases whenever their terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight line basis over the term of the operating lease.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at March 31 comprise of the following:

| | <u>2013-14</u> | <u>2012-13</u> |
|---------------------------------|------------------|------------------|
| Cash on hand | 45,948 | - |
| Cash at bank - current accounts | 2,456,139 | 2,456,139 |
| | <u>2,502,087</u> | <u>2,456,139</u> |

WELSPUN MIDDLE EAST PIPES COATING COMPANY
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NOTES TO THE FINANCIAL STATEMENTS
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5. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets at March 31 comprise of the following:

| | <u>2013-14</u> | <u>2012-13</u> |
|-----------------------------------|-------------------------|-------------------------|
| Advances to vendors | 1,659,205 | 3,307,695 |
| Prepaid rent | 87,774 | 46,478 |
| Prepaid expenses | 4,392,556 | 2,779,042 |
| Employee loans and other advances | 97,692 | 123,587 |
| Others | 114,000 | 637,546 |
| | <u>6,351,228</u> | <u>6,894,347</u> |

6. INVENTORIES

Inventories as March 31 comprise of the following:

| | <u>2013-14</u> | <u>2012-13</u> |
|-----------------------|--------------------------|--------------------------|
| Raw materials | 5,597,189 | 19,686,396 |
| Finished goods | 2,539,041 | 2,794,175 |
| Work in process | 20,807 | 155,320 |
| Parts and consumables | 2,971,918 | 2,959,710 |
| | <u>11,128,955</u> | <u>25,595,601</u> |

7. PROPERTY, PLANT & EQUIPMENT

| | Buildings SR | Machinery and equipment SR | Furniture, Fixture and office equipment | Vehicles SR | Capital work- in- progress SR | Total SR |
|------------------------------|--------------------------|---|--|------------------------|--|---------------------------|
| Cost | | | | | | |
| April 1, 2013 | 23,432,373 | 116,959,579 | 375,304 | 2,258,170 | 1,033,549 | 144,058,975 |
| Additions/Adjustments | 229,521 | 1,328,605 | 28,715 | 143,495 | 2,941,191 | 4,671,526 |
| Deletions/Adjustments | - | - | | 166,170 | 1,433,326 | 1,599,496 |
| Transfer from Asset to Asset | | 2,110,000 | | (2,110,000) | | - |
| March 31, 2014 | <u>23,661,894</u> | <u>120,398,184</u> | <u>404,019</u> | <u>125,495</u> | <u>2,541,414</u> | <u>147,131,005</u> |
| Depreciation | | | | | | |
| April 1, 2013 | 2,294,512 | 11,443,682 | 127,505 | 1,245,837 | - | 15,111,536 |
| Charge for the Period | 1,179,574 | 6,212,117 | 106,987 | 349,084 | - | 7,847,761 |
| Deletions/Adjustments | - | - | - | 58,484 | - | 58,484 |
| | | 1,510,262 | | (1,510,262) | - | - |
| March 31, 2014 | <u>3,474,086</u> | <u>19,166,061</u> | <u>234,492</u> | <u>26,175</u> | <u>-</u> | <u>22,900,813</u> |
| Net book value | | | | | | |
| March 31, 2014 | <u>20,187,808</u> | <u>101,232,123</u> | <u>169,527</u> | <u>99,320</u> | <u>2,541,414</u> | <u>124,230,192</u> |

WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 01 APRIL 2013 TO 31 MARCH 2014
Expressed in Saudi Arabian Riyals

7.1 Depreciation charge for the period ended March 31, has been allocated as follows:

| | <u>2013-14</u> | <u>2012-13</u> |
|-------------------------------------|------------------|------------------|
| Cost of sales | 7,230,040 | 7,059,566 |
| General and administrative expenses | 617,721 | 689,179 |
| | <u>7,847,761</u> | <u>7,748,745</u> |

8. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other current liabilities as at March 31 comprise of the following:

| | <u>2013-14</u> | <u>2012-13</u> |
|---------------------------------|-------------------|-------------------|
| Accrued interest | 16,013,676 | 11,868,689 |
| Staff related liabilities | 457,473 | 643,591 |
| Accrued expenses | 470,717 | 670,718 |
| Accrued Zakat & Tax | 728,215 | 6,571 |
| Advance received from customers | 25,296 | 14,116 |
| | <u>17,695,378</u> | <u>13,203,685</u> |

9. SHARE CAPITAL

The Company's capital consists of 33,765,625 shares of SR 1 each fully paid and held as follows:

| | <u>Number of Shares</u> | <u>Holding %</u> | <u>Amount (SR)</u> |
|-----------------------------------|-----------------------------|------------------|--------------------|
| Welspun Mauritius Holding Company | 16,886,189 | 50.01 | 16,886,189 |
| Arabian Pipeline Projects Company | 15,194,531 | 45.00 | 15,194,531 |
| Mohawareen | 1,684,905 | 4.99 | 1,684,905 |
| | <u>33,765,625</u> | <u>100.00</u> | <u>33,765,625</u> |

10. LONG-TERM LOAN FROM SHAREHOLDERS

Long term debts at March 31 comprise of the following:

| | <u>2013-14</u> | <u>2012-13</u> |
|------------------------------------|-------------------|-------------------|
| Interest bearing | | |
| Welspun Mauritius Holdings Limited | 39,023,443 | 39,023,443 |
| Arabian Pipe Coating LLC | 40,012,720 | 40,012,720 |
| | <u>79,036,163</u> | <u>79,036,163</u> |
| Non Interest bearing | | |
| Welspun Mauritius Holdings Limited | 250,000 | 250,000 |
| Arabian Pipe Coating LLC | 500,000 | 500,000 |
| | <u>750,000</u> | <u>750,000</u> |

Shareholders' have forwarded these amounts as initial financing. These are subject to interest payable @ 5.25% per annum as per the Shareholders' Loan Agreement. These loans and any interest thereon are repayable as decided by the board.

WELSPUN MIDDLE EAST PIPES COATING COMPANY
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11. STATUTORY RESERVES

In accordance with the Company's Articles of Association and Article 176 of Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net income each year to a statutory reserve until such reserve equals 50% of its share capital. This reserve is not available for distributions to the shareholders. No transfers have been made in view of net losses of the Company.

12. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the period ended March 31 comprise of the following:

| | <u>2013-14</u> | <u>2012-13</u> |
|--|-------------------------|-------------------------|
| Employee related costs | 2,296,467 | 1,984,405 |
| Repair & maintenance | 197,279 | 121,903 |
| Depreciation | 617,721 | 689,179 |
| Rent expenses | 440,028 | 2,935,042 |
| Utilities | 24,522 | 2,164 |
| Provision against advances paid to suppliers | - | 800,000.00 |
| Other expenses | 727,534 | 996,983 |
| | <u>4,303,550</u> | <u>7,529,676</u> |

13. FINANCE CHARGES, NET

Finance charges for the period ended March 31 comprise of the following:

| | <u>2013-14</u> | <u>2012-13</u> |
|----------------------------|-------------------------|-------------------------|
| Interest on long-term loan | 4,144,987 | 4,891,475 |
| Bank charges | 1,586 | 3,960 |
| Other financial charges | 1,133,744 | 582,838 |
| Exchange loss | 101,334 | 161,780 |
| | <u>5,381,652</u> | <u>5,640,053</u> |

WELSPUN MIDDLE EAST PIPES COATING COMPANY
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14. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company transacts with affiliates. Such transactions include purchase of materials, hire and maintenance of equipment, provision of support services, and other expenses incurred on behalf of the Company by its affiliates. The terms and conditions of such transactions are approved by the Company's board of directors.

During the period as at March 31, 2014, the Company had the following significant transactions with its related parties:

| Related Party | Nature of Transaction | <u>2013-14</u> | <u>2012-13</u> |
|------------------------------------|--|-----------------------|-----------------------|
| Arabiab Co for Water & Power Dev | Expenses on behalf of Company | 70,208.90 | |
| Asiz Contracting | Expenses on behalf of Company | 83,160.88 | |
| Arabian Pipeline projects Company | Sales to related party | 284,510.84 | (24,485,808.30) |
| | Receipts | (3,903,601.91) | 22,982,998.53 |
| | Expenses paid by related party | | (6,948.00) |
| | Share of Losses Absorption | | 8,885,717.85 |
| Welspun Mauritius Holdings Limited | Loan adjustment of related party | | - |
| | Share of Losses Absorption | | 9,874,994.57 |
| Aziz European Pipe Factory | Expenses on behalf of related party | - | 53,473.97 |
| Welspun Middle East Pipes LLC | Expenses paid by related party | 27,372,135.41 | 11,385,432.60 |
| | Sales to related party | (23,171,073.29) | (40,357,861.62) |
| Welspun Corp Ltd. | Expenses paid by related party | | (10,305.00) |
| | Expenses paid on behalf of related party | | 40,457.00 |
| | Purchases | (204,292.01) | (198,273.45) |
| | Payments | 939,478.49 | |
| Mohawareen | Share of Losses Absorption | | 985,327.58 |
| | Expenses paid by related party | (17,006.82) | |

WELSPUN MIDDLE EAST PIPES COATING COMPANY
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 01 APRIL 2013 TO 31 MARCH 2014
Expressed in Saudi Arabian Riyals

14. RELATED PARTY TRANSACTIONS (continued)

Following is a summary of balances with related parties as at March 31:

a) Due to related parties

| | 2013-14 | 2012-13 |
|----------------------------------|------------------|------------------|
| Welspun Corp Ltd. | 3,332,075 | 3,896,816 |
| Aziz Contracting | 83,161 | - |
| Arabiab Co for Water & Power Dev | 70,209 | - |
| | 3,485,445 | 3,896,816 |

b) Due from related party

| | 2013-14 | 2012-13 |
|-----------------------------------|-------------------|-------------------|
| Arabian Pipeline projects Company | 2,347,824 | 5,966,915 |
| Aziz European Pipe Factory | 53,474 | 53,474 |
| Welspun Middle East Pipes LLC | 11,866,061 | 16,066,078 |
| Mohawareen | 968,321 | 985,328 |
| | 15,235,680 | 23,071,794 |

c) Long-term loan payable

| | 2013-14 | 2012-13 |
|--|-------------------|-------------------|
| Interest Bearing loan payable | | |
| Welspun Maritius Holding Company | 39,023,443 | 39,023,443 |
| Arabian Pipeline projects Company | 40,012,720 | 40,012,720 |
| | 79,036,163 | 79,036,163 |
| Non-Interest Bearing loan payable | | |
| Welspun Maritius Holding Company | 250,000 | 250,000 |
| Arabian Pipeline projects Company | 500,000 | 500,000 |
| | 750,000 | 750,000 |

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the balance sheet principally include cash and cash equivalents, contract and other accounts receivable, accounts payable, other liabilities, and long-term debt.

Credit risk

Credit risk is the risk that counterparties do not meet their obligations, so the other party incurs a financial loss. At the balance sheet date the Company is exposed to a concentration of credit risk, as substantial portion of the accounts receivable are due from two related party, however the management has no doubt on recoverability. The Company maintains its cash with high credit rated local banks.

WELSPUN MIDDLE EAST PIPES COATING COMPANY
(A LIMITED LIABILITY COMPANY)

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15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Currency risk

This relates to the risk of change in the value of financial instruments due to change in foreign currency rates. Management monitors the fluctuations in currency exchange rates and manages its effect on the financial statements accordingly.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by systematic monitoring to ensure availability of funds to meet any future liabilities as they become due. The current liabilities primarily comprise of payable to related parties, and hence the Company does not expect liquidity pressures.

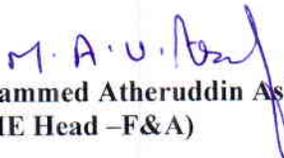
Interest rate risk

The Company's financial assets and liabilities as at the balance sheet date, except for long-term debts are not exposed to interest rate risk. Interest for long term debts is calculated at 5.25%.

Fair value

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

For Welspun Middle East Pipes Coating Company


Mohammed Atheruddin Asif
(WME Head –F&A)


Akbar Umatiya
(WME Unit Head & VP)