

**EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(LISTED JOINT STOCK COMPANY)
INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED
30 SEPTEMBER 2023**

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

INTERIM CONDENSED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW
REPORT (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 SEPTEMBER 2023

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF East Pipes Integrated Company For Industry (LISTED JOINT STOCK COMPANY)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of East Pipes Integrated Company for Industry (the "Company"), Listed Joint Stock Company as at 30 September 2023, and the related interim condensed statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 September 2023, and the related interim condensed statements of changes in equity and cash flows for the six-month period then ended, and explanatory notes. Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services


Ahmed Ibrahim Reda
Certified Public Accountant
Registration No. 356

Al Khobar: 21 Rabi' al Thani 1445H
5 November 2023



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

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(UNAUDITED)

For the three-month and six-month periods ended 30 September 2023

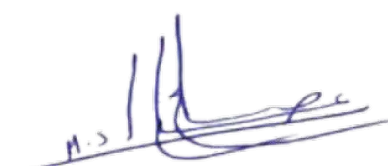
	Note	<i>Three-month period ended</i> <i>30 September</i>		<i>Six-month period ended</i> <i>30 September</i>	
		2023	2022	2023	2022
		<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue from contracts with customers	4	230,267,231	303,078,780	269,113,516	509,104,951
Cost of revenue	5	(197,157,529)	(289,286,019)	(242,325,173)	(476,770,699)
GROSS PROFIT		33,109,702	13,792,761	26,788,343	32,334,252
General and administrative expenses	6	(4,592,247)	(3,411,069)	(9,165,948)	(7,670,495)
Selling and marketing expenses	7	(745,571)	(534,834)	(1,516,458)	(1,226,641)
(Allowance for) / reversal of expected credit loss	11.2	(398,347)	3,438,419	(148,185)	1,768,166
Other operating income - net		632,903	401,878	127,071	347,874
OPERATING PROFIT		28,006,440	13,687,155	16,084,823	25,553,156
Finance costs		(5,238,655)	(4,781,602)	(10,981,573)	(8,881,732)
PROFIT BEFORE ZAKAT AND INCOME TAX		22,767,785	8,905,553	5,103,250	16,671,424
Zakat expense	17.1	(1,725,477)	(1,620,209)	(3,117,663)	(2,793,816)
Income tax	17.4	(248,953)	1,939,498	246,509	1,580,044
PROFIT FOR THE PERIOD		20,793,355	9,224,842	2,232,096	15,457,652
OTHER COMPREHENSIVE INCOME					
<i>Other comprehensive income that will not to be reclassified to profit or loss in subsequent periods:</i>					
Remeasurement gain on employees end of service benefits		43,051	219,697	349,657	423,059
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		20,836,406	9,444,539	2,581,753	15,880,711
Earning per share					
Basic and diluted	°	0.66	0.29	0.07	0.49



Chairman
Vipul Shiv Sahai Mathur



Chief Executive Officer
Mohammed Al Shaheen



Chief Financial Officer
Mohamed Saleh Ali Darweesh



The attached notes 1 to 22 form part of these interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

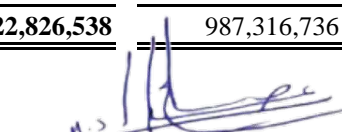
	<i>Note</i>	<i>As at 30 September 2023 SR (Unaudited)</i>	<i>As at 31 March 2023 SR (Audited)</i>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	237,569,591	245,747,188
Right-of-use assets		10,058,062	12,959,515
Intangible assets		957,270	598,595
TOTAL NON-CURRENT ASSETS		248,584,923	259,305,298
CURRENT ASSETS			
Inventories	10	325,046,454	64,831,211
Trade receivables	11	377,191,548	558,806,674
Prepayments and other current assets	12	207,700,840	45,118,741
Advance for income tax		13,861,405	5,861,211
Cash and cash equivalents	13	50,441,368	53,393,601
TOTAL CURRENT ASSETS		974,241,615	728,011,438
TOTAL ASSETS		1,222,826,538	987,316,736
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	315,000,000	315,000,000
Statutory reserve		44,997,572	44,997,572
Retained earnings		226,524,987	255,443,234
TOTAL EQUITY		586,522,559	615,440,806
NON-CURRENT LIABILITIES			
Lease liabilities		6,937,796	7,451,694
Deferred tax liabilities	17.3	4,886,880	5,671,531
Employees end of service benefits		19,780,726	18,698,758
TOTAL NON-CURRENT LIABILITIES		31,605,402	31,821,983
CURRENT LIABILITIES			
Trade payables		8,198,348	28,142,152
Accrued expenses and other current liabilities	15	263,919,795	55,043,074
Short-term borrowings	16	323,988,347	244,876,278
Current portion of lease liabilities		3,245,372	5,540,570
Zakat and income tax provision	17	5,346,715	6,451,873
TOTAL CURRENT LIABILITIES		604,698,577	340,053,947
TOTAL LIABILITIES		636,303,979	371,875,930
TOTAL EQUITY AND LIABILITIES		1,222,826,538	987,316,736



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The attached notes 1 to 22 form part of these interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 September 2023

	<i>Six-month period ended 30 September</i>	
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Operating activities		
Profit before zakat and income tax	5,103,250	16,671,424
<i>Adjustments to reconcile profit before zakat and income tax to net cash flows from operating activities:</i>		
Depreciation of property, plant, and equipment	9,751,415	9,195,263
Depreciation of right-of-use assets	2,901,453	2,826,108
Amortization of intangible assets	116,141	21,476
Provision for inventory obsolescence	(433,084)	724,944
(Allowance for) / reversal of expected credit loss allowance	148,185	(1,768,166)
Finance costs	10,981,573	8,881,732
Provision for employee end of service benefits	1,613,996	1,442,295
	30,182,929	37,995,076
<i>Working capital changes:</i>		
Inventories	(259,782,159)	(56,427,441)
Trade receivables	268,671,779	(21,803,753)
Prepayments and other current assets	(162,582,099)	(95,870,965)
Trade payables	(19,943,804)	112,621,272
Accrued expenses and other current liabilities	121,671,883	(17,541,440)
Cash used in operations	(21,781,471)	(41,027,251)
Employees' end of service benefits paid	(182,371)	(241,297)
Finance costs paid	(11,214,663)	(7,643,995)
Zakat paid	(12,761,157)	(3,666,861)
Net cash used in operating activities	(45,939,662)	(52,579,404)
Investing activities		
Purchase of property, plant and equipment	(1,573,818)	(929,034)
Purchases of intangible assets	(474,816)	-
Net cash used in investing activities	(2,048,634)	(929,034)
Financing activities		
Proceeds from short-term borrowings	696,722,348	279,192,408
Repayments of short-term borrowings	(617,081,285)	(225,331,860)
Dividends paid	(31,500,000)	-
Payments of lease liabilities	(3,105,000)	(2,828,429)
Cash from financing activities	45,036,063	51,032,119

The attached notes 1 to 22 form part of these interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS (continued)

For the six-month period ended 30 September 2023

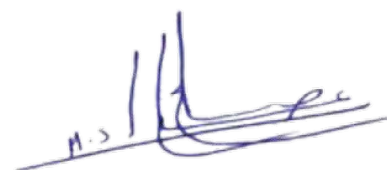
	<i>Six-month period ended 30 September</i>	
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net decrease in cash and cash equivalents	(2,952,233)	(2,476,319)
Cash and cash equivalents at the beginning of the period	53,393,601	73,881,609
Cash and cash equivalents at the end of the period	<u>50,441,368</u>	<u>71,405,290</u>
<u>Non-cash transactions</u>		
Advances from customers recognized against trade receivables	<u>87,204,838</u>	<u>-</u>




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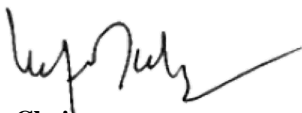
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EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(Listed Joint Stock Company)

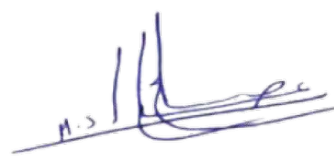
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 September 2023

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
As at 1 April 2022 (audited)	210,000,000	35,005,488	269,984,640	514,990,128
Profit for the period	-	-	15,457,652	15,457,652
Other comprehensive income for the period	-	-	423,059	423,059
Total comprehensive income for the period	-	-	15,880,711	15,880,711
As at 30 September 2022 (unaudited)	210,000,000	35,005,488	285,865,351	530,870,839
As at 1 April 2023 (audited)	315,000,000	44,997,572	255,443,234	615,440,806
Profit for the period	-	-	2,232,096	2,232,096
Other comprehensive income for the period	-	-	349,657	349,657
Total comprehensive income for the period	-	-	2,581,753	2,581,753
Dividend paid	-	-	(31,500,000)	(31,500,000)
As at 30 September 2023 (unaudited)	315,000,000	44,997,572	226,524,987	586,522,559


Chairman
Vipul Shiv Sahai Mathur


Chief Executive Officer
Mohammed Al Shaheen


Chief Financial Officer
Mohamed Saleh Ali Darweesh



The attached notes 1 to 22 form part of these interim condensed financial statements.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY

(Listed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 30 September 2023

1 CORPORATE INFORMATION

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

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 interim condensed 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).

The interim condensed financial statements of the Company as of 30 September 2023 were authorised for issuance by the Board of Directors on 15 Rabi al-Thani 1445 H (corresponding to 30 October 2023).

2 BASIS OF PREPARATION

2.1 Statement of compliance

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’ (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements. Accordingly, these interim condensed financial statements are to be read in conjunction with the annual financial statements for the year ended 31 March 2023. In addition the results of the operations for the period ended 30 September 2023 do not necessarily represent an indicator for the results of the operations for the year ending 31 March 2024.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These interim condensed financial statements are presented in Saudi Riyals (“SR”) which is also the functional currency of the Company.

2.4 Seasonality of the Company’s business

The Company is a project based Company engaged in manufacturing of pipes and tubes from iron and steel as well as the processing and painting metals by refinement and polishing. Due to the project based nature of this industry, higher revenues and operating profits are usually expected when the Company has ongoing projects and the revenue recognition criteria is met.

This information is provided to allow for a better understanding of the results, however, management has concluded that this is not ‘highly seasonal’ in accordance with IAS 34.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY

(Listed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2023

2 BASIS OF PREPARATION (continued)

2.5 Significant accounting judgements, estimates and assumptions

The preparation of the Company's interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amount of the asset or liability affected in the future.

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 recognized 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.

As at 30 September 2023, management believes that, all judgments and sources of estimation uncertainty remain similar to those disclosed in the Company's annual financial statements for the year ended 31 March 2023.

3 MATERIAL ACCOUNTING POLICIES

The material accounting policies used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 March 2023 except as mentioned below.

3.1 New standards, interpretations and amendments adopted by the Company

There are no new standards applicable to the Company, however, the Company has applied the following amendments to the standards for the first time for their reporting period commencing on 1 April 2023:

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

This standard does not have an impact on the Company's financial statements

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY

(Listed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2023

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 New standards, interpretations and amendments adopted by the Company (continued)

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

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

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Company's interim condensed consolidated financial statements.

4 Revenue from contract with customers

	For the three-month period ended 30 September		For the six-month period ended 30 September	
	2023	2022	2023	2022
	SR	SR	SR	SR
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue recognized at a point in time				
Revenue from sale of goods	221,685,422	298,442,289	251,143,756	480,236,072
Revenue recognized overtime				
Revenue from rendering of services	8,581,809	4,636,491	17,969,760	28,868,879
	<u>230,267,231</u>	<u>303,078,780</u>	<u>269,113,516</u>	<u>509,104,951</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2023

5 Cost of revenue

	For the three-month period ended 30 September		For the six-month period ended 30 September	
	2023	2022	2023	2022
	SR	SR	SR	SR
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of materials	167,806,372	263,401,151	185,919,802	427,442,945
Salaries and employees' benefits	15,666,707	14,388,639	30,982,980	26,884,074
Depreciation of property, plant, and equipment	4,634,020	4,516,380	9,523,532	9,011,610
Short-term rent expense	3,903,299	1,931,681	6,682,652	3,835,631
Depreciation of right-of-use assets	1,655,970	1,413,053	2,901,453	2,826,108
Utilities expense	1,780,470	1,889,999	3,041,245	3,259,795
Packing material	700,099	692,552	1,148,514	1,325,581
Amortisation of intangible assets	46,657	7,558	81,299	15,033
Repair expense	855,212	532,477	1,477,582	752,205
Provision for inventory obsolescence	(433,085)	(8,498)	(433,085)	514,532
Others	541,808	521,027	999,199	903,185
	<u>197,157,529</u>	<u>289,286,019</u>	<u>242,325,173</u>	<u>476,770,699</u>

6 General and administrative expenses

	For the three-month period ended 30 September		For the six-month period ended 30 September	
	2023	2022	2023	2022
	SR	SR	SR	SR
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Salaries and employees' benefits	2,729,557	2,688,069	5,699,232	5,192,706
Directors' fees	255,085	135,303	1,064,500	350,303
Utilities expense	326,485	296,968	534,391	551,650
Repair expense	277,601	38,677	445,044	90,462
Professional fees	761,351	159,788	910,448	1,234,228
Depreciation of property, plant, and equipment	81,550	67,786	161,943	132,421
Travelling expenses	30,654	16,986	51,348	33,955
Amortisation of intangible assets	13,330	2,159	23,228	4,295
Others	116,634	5,333	275,814	80,475
	<u>4,592,247</u>	<u>3,411,069</u>	<u>9,165,948</u>	<u>7,670,495</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2023

7 Selling and marketing expenses

	For the three-month period ended 30 September		For the six-month period ended 30 September	
	2023	2022	2023	2022
	SR	SR	SR	SR
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Salaries and employees' benefits	472,470	468,261	986,176	908,605
Travelling expenses	86,470	4,305	127,986	18,453
Depreciation of property, plant, and equipment	33,210	26,321	65,940	51,149
Amortisation of intangible assets	6,665	1,080	11,614	2,148
Others	146,756	34,867	324,742	246,286
	745,571	534,834	1,516,458	1,226,641

8 Earning per share

Basic and diluted earnings per share is calculated by dividing the net profit for the periods ended 30 September 2023 and 30 September 2022, by the weighted average number of shares outstanding at the end of the respective period.

The Company does not have any dilutive potential shares during the period, the diluted earnings per share is the same as the basic earnings per share.

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

	For the three-month period ended 30 September		For the six-month period ended 30 September	
	2023	2022	2023	2022
	SR	SR	SR	SR
Profit for the period	20,793,355	9,224,842	2,232,096	15,457,652
Weighted average number of ordinary shares outstanding	31,500,000	31,500,000	31,500,000	31,500,000
Basic and diluted earnings per share from profit for the year	0.66	0.29	0.07	0.49

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2023

9 Property, plant and equipment

	1 April 2023	Additions	Transfers	30 September 2023
	SR	SR	SR	SR
30 September 2023 (unaudited)				
<i>Cost:</i>				
Buildings and leasehold improvements	74,938,865	-	-	74,938,865
Plant and machinery	557,503,900	837,250	789,060	559,130,210
Furniture, fixtures and office equipment	5,341,896	91,279	-	5,433,175
Vehicles	1,559,416	-	-	1,559,416
Capital work-in-progress	143,771	645,289	(789,060)	-
	<u>639,487,848</u>	<u>1,573,818</u>	<u>-</u>	<u>641,061,666</u>
<i>Accumulated depreciation:</i>				
Buildings and leasehold improvements	44,588,974	2,048,033	-	46,637,007
Plant and machinery	343,878,160	7,477,749	-	351,355,909
Furniture, fixtures and office equipment	3,932,575	195,483	-	4,128,058
Vehicles	1,340,951	30,150	-	1,371,101
	<u>393,740,660</u>	<u>9,751,415</u>	<u>-</u>	<u>403,492,075</u>
Net book value	<u><u>245,747,188</u></u>			<u><u>237,569,591</u></u>
	1 April 2022	Additions	Transfers	31 March 2023
	SR	SR	SR	SR
31 March 2023 (audited)				
<i>Cost:</i>				
Buildings and leasehold improvements	74,405,649	307,315	225,901	74,938,865
Plant and machinery	556,476,431	16,022	1,011,447	557,503,900
Furniture, fixtures and office equipment	3,951,883	452,490	937,523	5,341,896
Vehicles	1,348,386	211,030	-	1,559,416
Capital work-in-progress	361,650	1,956,992	(2,174,871)	143,771
	<u>636,543,999</u>	<u>2,943,849</u>	<u>-</u>	<u>639,487,848</u>
<i>Accumulated depreciation:</i>				
Buildings and leasehold improvements	40,520,393	4,068,581	-	44,588,974
Plant and machinery	328,655,432	15,222,728	-	343,878,160
Furniture, fixtures and office equipment	3,737,846	194,729	-	3,932,575
Vehicles	1,295,504	45,447	-	1,340,951
	<u>374,209,175</u>	<u>19,531,485</u>	<u>-</u>	<u>393,740,660</u>
Net book value	<u><u>262,334,824</u></u>			<u><u>245,747,188</u></u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2023

10 Inventories

	<i>Note</i>	30 September 2023 SR (Unaudited)	31 March 2023 SR (Audited)
Raw materials		130,935,709	48,522,329
Work-in-progress	10.1	172,838,940	-
Finished products		6,604,001	4,462,648
Spare parts and supplies, held not for sale		19,072,365	16,683,879
		329,451,015	69,668,856
Less: provision for inventory obsolescence	10.2	(4,404,561)	(4,837,645)
		325,046,454	64,831,211

10.1 Work-in-progress represents pipes manufactured as at 30 September 2023, which are still in the process of coating. The revenue against these pipes shall be recognized once production is finished and pipes are delivered at customer's site.

10.2 Movement in provision for inventory obsolescence is as follows:

	30 September 2023 SR (Unaudited)	31 March 2023 SR (Audited)
At the beginning of the period	4,837,645	4,803,455
Additions	(433,084)	34,190
At the end of the period	4,404,561	4,837,645

11 Trade receivables

	<i>Note</i>	30 September 2023 SR (Unaudited)	31 March 2023 SR (Audited)
Trade receivables	11.1	377,903,220	559,370,161
Less: Expected credit losses (ECL) allowance	11.2	(711,672)	(563,487)
		377,191,548	558,806,674

11.1 Includes SR 87 million advance invoices issued as per the agreements with the customers (note 15).

11.2 Movement in ECL allowance is as follows:

	30 September 2023 SR (Unaudited)	31 March 2023 SR (Audited)
At the beginning of the period	563,487	2,292,837
Additions	398,347	2,233,742
Reversal	(250,162)	(3,963,092)
At the end of the period	711,672	563,487

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2023

12 Prepayments and other current assets

	30 September 2023 SR (Unaudited)	31 March 2023 SR (Audited)
Advances to suppliers	197,649,779	33,217,377
Contract assets	4,545,187	3,114,129
Prepaid expenses	2,132,755	3,206,344
Margin against letters of guarantee	1,242,991	3,728,972
Others	2,130,128	1,851,919
	<u>207,700,840</u>	<u>45,118,741</u>

13 Cash and cash equivalents

	30 September 2023 SR (Unaudited)	31 March 2023 SR (Audited)
Cash in hand	8,154	18,471
Cash at bank	433,214	10,375,130
Short-term deposits	50,000,000	43,000,000
	<u>50,441,368</u>	<u>53,393,601</u>

Short-term deposits represent placements with a commercial bank for a period of less than three months and yield financial income at prevailing market rates 5.70% per annum (31 March 2023: 5.15% to 5.25% per annum).

14 Share capital

As at 30 September 2023, the authorised, issued and fully paid-up share capital comprised of 31,500,000 ordinary shares (31 March 2023: 31,500,000 ordinary shares) of SR 10 each.

Following are the major shareholders of the Company:

	Shareholding % 30 September 2023 SR	31 March 2023 SR
Welspun Mauritius Holdings Company Ltd. *	31.49%	35.01%
Aziz Company for Contracting & Industrial Investment	19.95%	19.95%
Vision International Investment Company	11.55%	11.55%

* On 30 August 2023, Welspun Mauritius Holdings Company Ltd. sold 3.51% of its shareholding to Al-Haitam for Industries and Economic Development.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2023

15 Accrued expenses and other current liabilities

	<i>Note</i>	30 September 2023 SR (Unaudited)	31 March 2023 SR (Audited)
Goods received invoice not received		145,904,410	17,323,678
Advances from customers	15.1	91,263,667	1,325,820
Accrued expenses		17,613,506	11,443,005
Accrued salaries and benefits		5,611,231	13,731,081
Value added tax payable		3,308,387	11,179,865
Other		218,594	39,625
		<u>263,919,795</u>	<u>55,043,074</u>

15.1 Includes SR 87 million advances against invoices issued as per the agreements with the customers. As at 30 September 2023, these advances have not yet been collected and hence these have been recorded under trade receivables (note 11).

16 Short-term borrowings

	30 September 2023 SR (Unaudited)	31 March 2023 SR (Audited)
Short term borrowing	321,881,908	242,240,845
Accrued finance costs	2,106,439	2,635,433
	<u>323,988,347</u>	<u>244,876,278</u>

These represent short-term borrowings obtained from various local commercial banks and bear financial charges at prevailing market rates which are based on Saudi Arabian Inter-bank Offer Rate. The loans are secured by promissory note issued by the Company. The carrying value of the short-term borrowings are denominated in SR.

During the period, the Company has signed a new amendment for a multi-purpose financing facility agreement with a local bank to increase its facility limit to SR 1.1 billion.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2023

17 Zakat and income tax matters

17.1 Zakat payable and advance income tax

	Zakat SR	Income tax SR	Total SR
At 1 April 2023	6,451,873	-	6,451,873
Provisions:			
Current period	3,117,663	588,905	3,706,568
Prior year adjustments	-	(50,763)	(50,763)
	3,117,663	538,142	3,655,805
Payment	(4,760,963)	-	(4,760,963)
At 30 September 2023 (unaudited)	4,808,573	538,142	5,346,715
At 1 April 2022	3,356,890	-	3,356,890
Provisions:			
Current year	6,451,873	6,450,918	12,902,791
Prior year adjustments	309,971	(1,965,966)	(1,655,995)
	6,761,844	4,484,952	11,246,796
Payment	(3,666,861)	-	(3,666,861)
Adjusted against advance	-	(4,484,952)	(4,484,952)
At 31 March 2023 (audited)	6,451,873	-	6,451,873

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%.

Income tax is payable at 20% of adjusted net profit attributable to the foreign shareholder. As at 30 September 2023 advance income tax amounting to SR 13.9 million (31 March 2023: SR 5.8 million).

17.2 Status of assessments

i) The Company has submitted its zakat and income tax returns for the years up to 31 March 2023. The Company has obtained zakat and income tax certificates for the years till 31 March 2023. ZATCA has finalized the income tax and zakat assessments until the years ended 31 March 2014 and 2016 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 2021 to 31 March 2023 are under review by ZATCA, and the ZATCA did not issued assessments for the subjective years yet.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2023

17 Zakat and income tax matters (continued)

17.3 Deferred tax liabilities

At 30 September 2023

	Carried forward losses SR	Employee benefits obligations SR	Provision for inventory obsolescence SR	Property, plant and equipment SR	Other SR	Total SR
At 1 April 2023	(3,926,396)	(1,309,287)	(561,049)	11,470,555	(2,292)	5,671,531
Charged (credited) / debited to:						
Profit or loss	269,427	81,441	283,650	(1,359,241)	(59,928)	(784,651)
At 30 September 2023 (Unaudited)	(3,656,969)	(1,227,846)	(277,399)	10,111,314	(62,220)	4,886,880

At 31 March 2023

	Carried forward losses SR	Employee benefits obligations SR	Provision for inventory obsolescence SR	Property, plant and equipment SR	Other SR	Total SR
At 1 April 2022	(5,169,426)	(1,183,741)	(558,655)	12,196,350	(186,770)	5,097,758
Charged (credited) / debited to:						
Profit or loss	1,243,030	(125,546)	(2,394)	(725,795)	184,478	573,773
At 31 March 2023 (Audited)	(3,926,396)	(1,309,287)	(561,049)	11,470,555	(2,292)	5,671,531

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

17.4 Income tax

**For the six-month period ended
30 September**

	2023 SR (Unaudited)	2022 SR (Unaudited)
Current income tax	588,905	1,038,457
Adjustment related to prior years	(50,763)	(1,965,966)
Deferred income tax	(784,651)	(652,535)
	(246,509)	(1,580,044)

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2023

18 Related parties Transactions and balances

Related parties comprise the shareholders, directors, associated companies (representing entities which are directly or indirectly controlled by or under the significant influence of the Company's major shareholder), and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest (other related parties).

There are no significant transactions entered by the Company with related parties, during the period.

Key management personnel compensation:

	For the three-month period ended 30 September		For the six-month period ended 30 September	
	2023	2022	2023	2022
	SR	SR	SR	SR
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	1,439,557	1,424,258	2,879,114	2,848,516
Post-employment benefits	58,238	77,461	116,476	379,077
	<u>1,497,795</u>	<u>1,501,719</u>	<u>2,995,590</u>	<u>3,227,593</u>

19 Contingencies and commitments

As at 30 September 2023, the Company was contingently liable for letters of credit and guarantee in the normal course of business amounting to SR 706 million (31 March 2023: SR 487.7 million).

20 Fair value of assets and liabilities

As at 30 September 2023 and 31 March 2023, the fair values of the Company's financial instruments are estimated to approximate their carrying values since the financial instruments are short term in nature, carry interest rates which are based on prevailing market interest rates and are expected to be realized at their current carrying values within twelve months from the date of condensed statement of financial position. The fair values of the non-current financial liabilities are estimated to approximate their carrying values as these carry interest rates which are based on prevailing market interest rates.

21 Events after the reporting date

No events have arisen subsequent to 30 September 2023 and before the date of issuing the financial statements that could have a significant effect on the financial statements as at 30 September 2023.

22 Comparative figures

Certain comparative figures for the prior period (30 September 2022) have been reclassified to conform with the current period's presentation as follows:

	Previously reported	Reclassifications	Adjusted balance
	SR	SR	SR
Expenses			
Cost of revenue	475,272,450	1,498,249	476,770,699
General and administrative expenses	7,076,711	593,784	7,670,495
Selling and marketing expenses	3,318,674	(2,092,033)	1,226,641