

**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 PERIOD ENDED
30 June 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 PERIOD ENDED 30 JUNE 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 June 2023, and the related interim condensed statement of profit or loss and other comprehensive income for the three-month period ended 30 June 2023 and related interim condensed statements of changes in equity and cash flows for the three-month period then ended and explanatory notes. Management 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") that is 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" 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.

Other matter

The interim condensed financial statements of the Company for the three-month period ended 30 June 2022 were reviewed by another auditor who expressed an unmodified review conclusion on those financial statements on 28 July 2022.

for Ernst & Young Professional Services



Marwan Saleh Al-Afaliq
Certified Public Accountant
Registration No. 422

Al Khobar: 16 Muharram 1445 H
3 August 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 period ended 30 June 2023

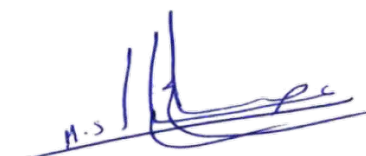
	Note	<i>Three-month period ended 30 June</i>	
		<i>2023</i>	<i>2022</i>
		<i>SR</i>	<i>SR</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue from contracts with customers	4	38,846,285	206,026,171
Cost of revenue	5	(45,167,644)	(187,484,680)
GROSS (LOSS) / PROFIT		(6,321,359)	18,541,491
General and administrative expenses	6	(4,573,701)	(4,259,426)
Selling and marketing expenses	7	(770,887)	(691,807)
Reversal of / (allowance for) expected credit loss	11.2	250,162	(1,670,253)
Other operating expense - net		(505,832)	(54,004)
OPERATING (LOSS) / PROFIT		(11,921,617)	11,866,001
Finance costs		(5,742,918)	(4,100,130)
(LOSS) / PROFIT BEFORE ZAKAT AND INCOME TAX		(17,664,535)	7,765,871
Zakat expense	17.1	(1,392,186)	(1,173,607)
Income tax	17.4	495,462	(359,454)
NET (LOSS) / PROFIT FOR THE PERIOD		(18,561,259)	6,232,810
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		306,606	203,362
TOTAL COMPREHENSIVE (LOSS) / PROFIT FOR THE PERIOD		(18,254,653)	6,436,172
(Loss) / earning per share			
Basic and diluted	8	(0.59)	0.20

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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 June 2023 SR (Unaudited)</i>	<i>As at 31 March 2023 SR (Audited)</i>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	241,192,236	245,747,188
Right-of-use assets		11,509,483	12,959,515
Intangible assets		679,526	598,595
TOTAL NON-CURRENT ASSETS		253,381,245	259,305,298
CURRENT ASSETS			
Inventories	10	209,353,040	64,831,211
Trade receivables	11	394,151,516	558,806,674
Prepayments and other current assets	12	104,359,621	45,118,741
Advance for income tax	17	5,861,211	5,861,211
Cash and cash equivalents	13	147,065,171	53,393,601
TOTAL CURRENT ASSETS		860,790,559	728,011,438
TOTAL ASSETS		1,114,171,804	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		237,188,581	255,443,234
TOTAL EQUITY		597,186,153	615,440,806
NON-CURRENT LIABILITIES			
Lease liabilities		7,555,937	7,451,694
Deferred tax liabilities	17.3	5,176,069	5,671,531
Employees end of service benefits		19,059,754	18,698,758
TOTAL NON-CURRENT LIABILITIES		31,791,760	31,821,983
CURRENT LIABILITIES			
Trade payables		5,194,509	28,142,152
Accrued expenses and other current liabilities	15	181,051,936	55,043,074
Short-term borrowings	16	287,910,050	244,876,278
Current portion of lease liabilities		3,193,337	5,540,570
Zakat provision	17	7,844,059	6,451,873
TOTAL CURRENT LIABILITIES		485,193,891	340,053,947
TOTAL LIABILITIES		516,985,651	371,875,930
TOTAL EQUITY AND LIABILITIES		1,114,171,804	987,316,736

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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 CASH FLOWS (UNAUDITED)

For the three-month period ended 30 June 2023

	<i>Three-month period ended 30 June</i>	
	<i>2023</i>	<i>2022</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Operating activities		
(Loss) / profit before zakat and income tax	(17,664,535)	7,765,871
<i>Adjustments to reconcile (loss) / profit before zakat and income tax to net cash flows (used in) operating activities:</i>		
Depreciation of property, plant, and equipment	4,926,676	4,584,693
Depreciation of right-of-use assets	1,450,031	1,413,055
Amortization of intangible assets	49,489	10,679
Provision for inventory obsolescence	-	523,030
(Reversal of) / allowance for expected credit loss allowance	(250,162)	1,670,253
Finance costs	5,742,918	4,100,130
Provision for employee end of service benefits	617,666	589,385
	(5,127,917)	20,657,096
<i>Working capital changes:</i>		
Inventories	(144,521,829)	(108,252,800)
Trade receivables	255,668,207	12,816,794
Prepayments and other current assets	(59,240,880)	54,815,278
Trade payables	(22,947,643)	61,983,629
Accrued expenses and other current liabilities	34,995,813	2,437,310
Cash from operations	58,825,751	44,457,307
Employees' end of service benefits paid	(139,613)	(98,829)
Finance costs paid	(5,146,196)	(6,350,783)
Zakat paid	-	(285,117)
Net cash from operating activities	53,539,942	37,722,578
Investing activities		
Purchase of property, plant and equipment	(371,724)	(600,730)
Purchases of intangible assets	(130,420)	-
Net cash used in investing activities	(502,144)	(600,730)
Financing activities		
Proceeds from short-term borrowings	272,863,284	339,744,598
Repayments of short-term borrowings	(229,829,512)	(430,283,165)
Payments of lease liabilities	(2,400,000)	(2,400,000)
Cash from / (used in) financing activities	40,633,772	(92,938,567)
Increase / (decrease) in cash and cash equivalents	93,671,570	(55,816,719)
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	147,065,171	18,064,890

Non-cash transactions

Advances from customers recognized against Trade Receivables

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Chairman
Vipul Shiv Sahai Mathur

Mohammed Al Shaheen
Chief Executive Officer
Mohammed Al Shaheen

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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 CHANGES IN EQUITY

For the three-month period ended 30 June 2023

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Total</i>
	SR	SR	SR	SR
As at 1 April 2022 (audited)	210,000,000	35,005,488	269,984,640	514,990,128
Net profit for the period	-	-	6,232,810	6,232,810
Other comprehensive income for the period	-	-	203,362	203,362
Total comprehensive profit for the period	-	-	6,436,172	6,436,172
As at 30 June 2022 (unaudited)	<u>210,000,000</u>	<u>35,005,488</u>	<u>276,420,812</u>	<u>521,426,300</u>
As at 1 April 2023 (audited)	315,000,000	44,997,572	255,443,234	615,440,806
Net loss for the period	-	-	(18,561,259)	(18,561,259)
Other comprehensive income for the period	-	-	306,606	306,606
Total comprehensive loss for the period	-	-	(18,254,653)	(18,254,653)
As at 30 June 2023 (unaudited)	<u>315,000,000</u>	<u>44,997,572</u>	<u>237,188,581</u>	<u>597,186,153</u>

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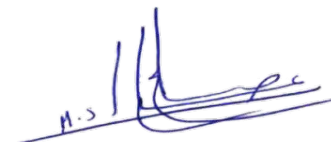
Chairman

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 June 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 June 2023 were authorised for issuance by the Board of Directors on 12 Muharram 1445 H (corresponding to 30 July 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 June 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 employee and other 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

There are no seasonal changes that may affect the operations of the Company.

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.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY

(Listed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2023

2 BASIS OF PREPARATION (continued)

2.5 Significant accounting judgements, estimates and assumptions

As at 30 June 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 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates and assumptions 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 is not applicable to the Company.

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2023

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 Group's interim condensed consolidated financial statements.

4 Revenue from contract with customers

	For the three-month period ended	
	30 June	
	2023	2022
	SR	SR
	(Unaudited)	(Unaudited)
Revenue recognized at a point in time		
Revenue from sale of goods	29,458,334	181,793,783
Revenue recognized overtime		
Revenue from rendering of services	9,387,951	24,232,388
	38,846,285	206,026,171

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2023

5 Cost of revenue

	For the three-month period ended 30 June	
	2023	2022
	SR	SR
	(Unaudited)	(Unaudited)
Cost of materials	18,114,414	164,041,794
Salaries and employees' benefits	15,316,262	12,495,435
Depreciation of property, plant, and equipment	4,813,553	4,495,230
Rent expense	2,844,199	1,903,950
Depreciation of right-of-use assets	1,450,031	1,413,055
Utilities expense	1,260,776	1,369,796
Packing material	448,415	633,029
Amortisation expense	39,591	7,475
Provision for inventory obsolescence	-	523,030
Others	880,403	601,886
	45,167,644	187,484,680

6 General and administrative expenses

	For the three-month period ended 30 June	
	2023	2022
	SR	SR
	(Unaudited)	(Unaudited)
Salaries and employees' benefits	2,969,679	2,504,637
Directors' fees	809,415	687,750
Utilities expense	207,905	254,682
Repair expense	167,449	51,785
Professional fees	149,097	481,690
Depreciation of property, plant, and equipment	80,394	64,635
Travelling expenses	20,693	16,969
Amortisation expense	9,898	2,136
Others	159,171	195,142
	4,573,701	4,259,426

7 Selling and marketing expenses

	For the three-month period ended 30 June	
	2023	2022
	SR	SR
	(Unaudited)	(Unaudited)
Salaries and employees' benefits	513,712	440,344
Travelling expenses	41,516	14,148
Depreciation of property, plant, and equipment	32,729	24,828
Amortization expense	4,949	1,068
Others	177,981	211,419
	770,887	691,807

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2023

8 Earning per share

Basic and diluted earnings per share is calculated by dividing the net (loss)/profit for the periods ended 30 June 2023 and 30 June 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, the diluted earnings / (losses) per share is the same as the basic earnings (losses) per share.

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

	<i>SR</i>	<i>SR</i>
(Loss)/profit for the period	<u>(18,561,259)</u>	<u>6,232,810</u>
Weighted average number of ordinary shares outstanding	<u>31,500,000</u>	<u>31,500,000</u>
Basic and diluted (losses) / earnings per share from profit for the year	(0.59)	0.20

The weighted average number of shares for the purpose of calculation of basic and diluted earnings per share for the period ended 30 June 2022 has been adjusted to reflect the effect of the capital increase from 21 million shares to 31.5 million shares with no additional consideration as if the capital increase occurred from the beginning of the prior period without a corresponding change in resources in accordance with the requirements of IAS 33 Earnings per Share.

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2023

9 Property, plant and equipment

	1 April 2023 SR	Additions SR	Transfers SR	30 June 2023 SR
30 June 2023 (unaudited)				
<i>Cost:</i>				
Buildings and leasehold improvements	74,938,865	-	-	74,938,865
Plant and machinery	557,503,900	-	429,060	557,932,960
Furniture, fixtures and office equipment	5,341,896	39,935	-	5,381,831
Vehicles	1,559,416	-	-	1,559,416
Capital work-in-progress	143,771	331,789	(429,060)	46,500
	<u>639,487,848</u>	<u>371,724</u>	<u>-</u>	<u>639,859,572</u>
<i>Accumulated depreciation:</i>				
Buildings and leasehold improvements	44,588,974	1,018,425	-	45,607,399
Plant and machinery	343,878,160	3,796,648	-	347,674,808
Furniture, fixtures and office equipment	3,932,575	96,611	-	4,029,186
Vehicles	1,340,951	14,992	-	1,355,943
	<u>393,740,660</u>	<u>4,926,676</u>	<u>-</u>	<u>398,667,336</u>
Net book value	<u><u>245,747,188</u></u>			<u><u>241,192,236</u></u>
	1 April 2022 SR	Additions SR	Transfers SR	31 March 2023 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 June 2023

10 Inventories

	<i>Note</i>	30 June 2023 <i>SR</i> <i>(Unaudited)</i>	31 March 2023 <i>SR</i> <i>(Audited)</i>
Raw materials		50,026,900	48,522,329
Work-in-progress	10.1	136,894,873	-
Finished products		9,124,451	4,462,648
Spare parts and supplies, held not for sale		18,144,461	16,683,879
		214,190,685	69,668,856
Less: provision for inventory obsolescence	10.2	(4,837,645)	(4,837,645)
		209,353,040	64,831,211

10.1 Work-in-progress represents pipes manufactured as at 30 June 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

10.2 Movement in provision for inventory obsolescence is as follows:

	30 June 2023 <i>SR</i> <i>(Unaudited)</i>	31 March 2023 <i>SR</i> <i>(Audited)</i>
At the beginning of the period	4,837,645	4,803,455
Additions	-	34,190
At the end of the period	4,837,645	4,837,645

11 Trade receivables

	<i>Note</i>	30 June 2023 <i>SR</i> <i>(Unaudited)</i>	31 March 2023 <i>SR</i> <i>(Audited)</i>
Trade receivables	11.1	394,464,841	559,370,161
Less: Expected credit losses (ECL) allowance	11.2	(313,325)	(563,487)
		394,151,516	558,806,674

11.1 Includes SR 91 million advance invoices issued as per the agreement with the customers (note 15).

11.2 Movement in ECL allowance is as follows:

	30 June 2023 <i>SR</i> <i>(Unaudited)</i>	31 March 2023 <i>SR</i> <i>(Audited)</i>
At the beginning of the period	563,487	2,292,837
Additions	-	2,233,742
Reversal	(250,162)	(3,963,092)
At the end of the period	313,325	563,487

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2023

12 Prepayments and other current assets

	30 June 2023	31 March 2023
	SR	SR
	(Unaudited)	(Audited)
Advances to suppliers	89,108,059	33,217,377
Margin against letter of guarantee	9,370,272	3,728,972
Prepaid expenses	3,236,107	3,206,344
Contract assets	803,334	3,114,129
Others	1,841,849	1,851,919
	<u>104,359,621</u>	<u>45,118,741</u>

13 Cash and cash equivalents

	30 June 2023	31 March 2023
	SR	SR
	(Unaudited)	(Audited)
Cash in hand	13,180	18,471
Cash at bank	137,051,991	10,375,130
Short-term deposits	10,000,000	43,000,000
	<u>147,065,171</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 5.55% per annum (31 March 2023: 5.15% and 5.25% per annum).

14 Share capital

As at 30 June 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 %	
	SR	SR
Welspun Mauritius Holdings Company Ltd.	35.01%	35.01%
Aziz Company for Contracting & Industrial Investment	19.95%	19.95%
Vision International Investment Company	11.55%	11.55%

15 Accrued expenses and other current liabilities

	Note	30 June 2023	31 March 2023
		SR	SR
		(Unaudited)	(Audited)
Advances from customers	15.1	95,508,134	1,325,820
Accrued expenses		75,571,754	28,766,683
Accrued salaries and benefits		5,662,431	13,731,081
Value added tax payable		4,309,617	11,179,865
Others		-	39,625
		<u>181,051,936</u>	<u>55,043,074</u>

15.1 Includes SR 91 million advances against invoices issued as per the agreement with the customers. As at 30 June 2023, these advances have not been collected and recorded under Trade Receivables accordingly (note 11).

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2023

16 Short-term borrowings

	30 June 2023	31 March 2023
	SR	SR
	(Unaudited)	(Audited)
Short term borrowing	285,338,718	242,240,845
Accrued finance costs	2,571,332	2,635,433
	<u>287,910,050</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.

17 Zakat and income tax matters

17.1 Zakat payable and advance income tax

	Zakat	Income tax	Total
	SR	SR	SR
At 1 April 2023	6,451,873	(5,861,211)	590,662
Provisions:			
Current period	1,392,186	-	1,392,186
At 30 June 2023 (unaudited)	<u>7,844,059</u>	<u>(5,861,211)</u>	<u>1,982,848</u>
At 1 April 2022	3,356,890	(11,800,913)	(8,444,023)
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)
Advance tax paid during the year	-	1,454,750	1,454,750
At 31 March 2023 (audited)	<u>6,451,873</u>	<u>(5,861,211)</u>	<u>590,662</u>

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 June 2023 advance income tax amounting to SR 5.8 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 2022. The Company has obtained zakat and income tax certificates for the years till 31 March 2022. ZATCA has finalized the income tax and zakat assessments until the years ended 31st March 2014, 2017, 2018 through 2020. 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.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2023

17 Zakat and income tax matters (continued)

17.2 Status of assessments (continued)

ii) During the year ended 31 March 2022, ZATCA issued the final assessment for the year ended 31 March 2016 with an additional income tax and zakat liability of SR 4.6 million. The company settled an amount of SR 10,825 and filed an appeal against the remaining additional income tax and zakat liability. ZATCA accepted the Company's objection and finalized the years.

iii) During the year ended 31 March 2023, ZATCA issued the final assessment for the year ended 31 March 2017 showing an additional zakat liability of SR 2,234,284. The Company settled an amount of SR 3,698 and requested the ZATCA to adjust the remaining amount of SR 2,230,586 against the excess amount settled in the past as reflected in the income tax return filed for the year ended 31 March 2017. ZATCA has accepted the Company's request and adjusted the amount. As a result, ZATCA has finalized the year ended 31 March 2017.

iv) During the year ended 31 March 2023, ZATCA issued the assessment for the years ended 31 March 2018 through 2020 showing an additional income tax, WHT, delay fines and zakat liability of SR 2,710,151. The Company settled an amount of SR 184,797 and objected against the remaining amount. ZATCA has accepted the Company's objection and finalized the years. The ZATCA accepted the appeals and closed all the years from 1 April 2016 to 31 March 2020.

V) The years ended 31 March 2021 and 31 March 2022 are under review by ZATCA, and the ZATCA did not issued assessments for the subjective years yet.

17.3 Deferred tax liabilities

At 30 June 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	(657,925)	(2,313)	222,317	(68,160)	10,619	(495,462)
At 30 June 2023 (Unaudited)	(4,584,321)	(1,311,600)	(338,732)	11,402,395	8,327	5,176,069

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

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2023

17 Zakat and income tax matters (continued)

17.3 Deferred tax liabilities (continued)

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 three months period ended 30 June	
	2023	2022
	SR	SR
	(Unaudited)	(Unaudited)
Current income tax	-	626,785
Deferred income tax	495,462	(267,331)
	495,462	359,454

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 transactions entered by the Company with related parties, during the period.

Key management personnel compensation:

	Three months period ended 30 June	
	2023	2022
	SR	SR
	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	1,439,557	1,424,258
Post-employment benefits	58,238	301,616
	1,497,795	1,725,874

19 Contingencies and commitments

As at 30 June 2023, the Company was contingently liable for letters of credits and guarantees in the normal course of business amounting to SR 491.51 million (31 March 2023: SR 487.7 million).

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2023

20 Fair value of assets and liabilities

As at 30 June 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 June 2023 and before the date of issuing the financial statements that could have a significant effect on the financial statements as at 30 June 2023.

22 Comparative figures

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

	<i>Previously reported</i>	<i>Reclassifications</i>	<i>Adjusted balance</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
Expenses			
Cost of revenue	(187,134,766)	(349,914)	(187,484,680)
General and administrative expenses	(3,663,145)	(596,281)	(4,259,426)
Selling and marketing expenses	(1,638,002)	946,195	(691,807)