

**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 NINE-MONTH PERIODS ENDED
31 DECEMBER 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 nine-month periods ended 31 December 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 31 December 2023, and the related interim condensed statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 31 December 2023, and the related interim condensed statements of changes in equity and cash flows for the nine-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: 20 Rajab 1445H
01 February 2024G



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 nine-month periods ended 31 December 2023

	Note	<i>Three-month period ended</i> <i>31 December</i>		<i>Nine-month period ended</i> <i>31 December</i>	
		2023	2022	2023	2022
		SR	SR	SR	SR
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from contracts with customers	4	552,301,709	487,249,090	821,415,225	996,354,041
Cost of revenue	5	(441,352,602)	(418,815,899)	(683,677,775)	(895,586,598)
GROSS PROFIT		110,949,107	68,433,191	137,737,450	100,767,443
General and administrative expenses	6	(5,789,460)	(6,582,438)	(14,955,408)	(14,252,933)
Selling and marketing expenses	7	(924,608)	(853,368)	(2,441,066)	(2,080,009)
(Allowance for) / reversal of expected credit losses	11.2	(471,816)	468,947	(620,001)	2,237,113
Other operating income / (expenses) - net		871,516	(852,651)	998,587	(504,777)
OPERATING PROFIT		104,634,739	60,613,681	120,719,562	86,166,837
Finance costs		(9,327,761)	(7,362,352)	(20,309,334)	(16,244,084)
PROFIT BEFORE ZAKAT AND INCOME TAX		95,306,978	53,251,329	100,410,228	69,922,753
Zakat	17.1	(3,202,284)	(1,986,966)	(6,319,947)	(4,780,782)
Income tax	17.4	(6,385,845)	(3,740,389)	(6,139,336)	(2,160,345)
PROFIT FOR THE PERIOD		85,718,849	47,523,974	87,950,945	62,981,626
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		483,216	136,255	832,873	559,314
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		86,202,065	47,660,229	88,783,818	63,540,940
Earning per share					
Basic and diluted	8	2.72	1.51	2.79	2.00

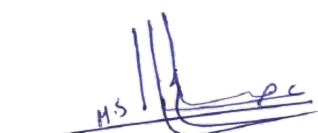
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Chairman
Vipul Shiv Sahai Mathur



Chief Executive Officer
Mohammed Al Shaheen



Chief Financial Officer
Mohamed Saleh Ali Darweesh



The attached notes 1 to 23 form part of these interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2023 SR (Unaudited)	As at 31 March 2023 SR (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	235,918,559	245,747,188
Right-of-use assets		8,622,676	12,959,515
Intangible assets		959,246	598,595
TOTAL NON-CURRENT ASSETS		245,500,481	259,305,298
CURRENT ASSETS			
Inventories	10	415,062,747	64,831,211
Trade receivables	11	836,462,826	558,806,674
Prepayments and other current assets	12	225,325,234	45,118,741
Advance for income tax		15,461,444	5,861,211
Cash and cash equivalents	13	2,236,830	53,393,601
TOTAL CURRENT ASSETS		1,494,549,081	728,011,438
TOTAL ASSETS		1,740,049,562	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		312,727,052	255,443,234
TOTAL EQUITY		672,724,624	615,440,806
NON-CURRENT LIABILITIES			
Lease liabilities		6,670,651	7,451,694
Deferred tax liabilities	17.3	6,352,524	5,671,531
Employees end of service benefits		20,021,786	18,698,758
TOTAL NON-CURRENT LIABILITIES		33,044,961	31,821,983
CURRENT LIABILITIES			
Accrued expenses and other current liabilities	15	256,336,417	55,043,074
Short-term borrowings	16.1	726,191,059	244,876,278
Trade payables		38,755,666	28,142,152
Current portion of lease liabilities		1,258,895	5,540,570
Zakat and income tax provision	17	11,737,940	6,451,873
TOTAL CURRENT LIABILITIES		1,034,279,977	340,053,947
TOTAL LIABILITIES		1,067,324,938	371,875,930
TOTAL EQUITY AND LIABILITIES		1,740,049,562	987,316,736

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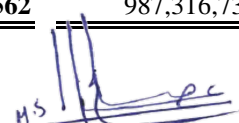
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Vipul Shiv Sahai Mathur



Chief Executive Officer

Mohammed Al Shaheen



Chief Financial Officer

Mohamed Saleh Ali Darweesh

The attached notes 1 to 23 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 nine-month period ended 31 December 2023

	2023 SR (Unaudited)	2022 SR (Unaudited)
Operating activities		
Profit before zakat and income tax	100,410,228	69,922,753
<i>Adjustments to reconcile profit before zakat and income tax to net cash flows used in operating activities:</i>		
Depreciation of property, plant, and equipment	14,834,923	13,830,514
Depreciation of right-of-use assets	4,336,839	4,429,286
Amortization of intangible assets	653,780	33,695
Provision for inventory obsolescence	(401,085)	(330,229)
Allowance for / (reversal) of expected credit losses allowance	620,001	(2,237,113)
Finance costs	20,309,334	16,244,084
Provision for employees end of service benefits	2,419,750	1,768,154
	<u>143,183,770</u>	<u>103,661,144</u>
<i>Working capital changes:</i>		
Inventories	(349,830,451)	(239,231,959)
Trade receivables	(212,952,670)	(162,782,706)
Prepayments and other current assets	(180,206,493)	39,942,765
Trade payables	10,613,514	109,423,740
Accrued expenses and other current liabilities	135,969,860	12,320,141
Cash used in operations	<u>(453,222,470)</u>	<u>(136,666,875)</u>
Employees' end of service benefits paid	(263,849)	(352,077)
Finance costs paid	(18,440,627)	(14,504,595)
Zakat and tax paid	(16,092,456)	(3,666,861)
Net cash used in operating activities	<u>(488,019,402)</u>	<u>(155,190,408)</u>
Investing activities		
Purchase of property, plant and equipment	(5,006,294)	(2,422,659)
Purchases of intangible assets	(1,014,431)	(558,471)
Net cash used in investing activities	<u>(6,020,725)</u>	<u>(2,981,130)</u>
Financing activities		
Proceeds from short-term borrowings	1,752,663,179	923,981,286
Repayments of short-term borrowings	(1,272,774,823)	(757,847,779)
Dividends paid	(31,500,000)	-
Payments of lease liabilities	(5,505,000)	(5,095,595)
Cash from financing activities	<u>442,883,356</u>	<u>161,037,912</u>

The attached notes 1 to 23 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) (continued)

For the nine-month period ended 31 December 2023

	2023	2022
	SR	SR
	(Unaudited)	(Unaudited)
Net (decrease)/increase in cash and cash equivalents	(51,156,771)	2,866,374
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>2,236,830</u>	<u>76,747,983</u>
Non-cash transactions		
Advances from customers recognized against trade receivables	<u>65,323,483</u>	<u>-</u>

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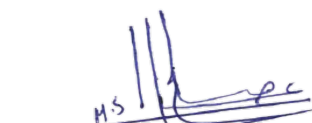
Chairman

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

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 31 December 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
Issue of share capital (note 14)	105,000,000	-	(105,000,000)	-
Profit for the period	-	-	62,981,626	62,981,626
Other comprehensive income for the period	-	-	559,314	559,314
Total comprehensive income for the period	-	-	63,540,940	63,540,940
As at 31 December 2022 (unaudited)	315,000,000	35,005,488	228,525,580	578,531,068
As at 1 April 2023 (audited)	315,000,000	44,997,572	255,443,234	615,440,806
Profit for the period	-	-	87,950,945	87,950,945
Other comprehensive income for the period	-	-	832,873	832,873
Total comprehensive income for the period	-	-	88,783,818	88,783,818
Dividend paid (Note 21)	-	-	(31,500,000)	(31,500,000)
As at 31 December 2023 (unaudited)	315,000,000	44,997,572	312,727,052	672,724,624

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Chairman

Vipul Shiv Sahai Mathur

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Chief Executive Officer

Mohammed Al Shaheen

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Chief Financial Officer

Mohamed Saleh Ali Darweesh

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The attached notes 1 to 23 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 31 December 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 31 December 2023 were authorised for issuance by the Board of Directors on 19 Rajab 1445 H (corresponding to 31 January 2024).

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 31 December 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 (UNAUDITED) (continued)

At 31 December 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 31 December 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 (UNAUDITED) (continued)

At 31 December 2023

3 MATERIAL 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 31 December		For the nine-month period ended 31 December	
	2023	2022	2023	2022
	SR	SR	SR	SR
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue recognized at a point in time				
Revenue from sale of goods	546,548,043	440,531,387	797,691,799	920,767,459
Revenue recognized overtime				
Revenue from rendering of services	5,753,666	46,717,703	23,723,426	75,586,582
	<u>552,301,709</u>	<u>487,249,090</u>	<u>821,415,225</u>	<u>996,354,041</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 31 December 2023

5 Cost of revenue

	For the three-month period ended 31 December		For the nine-month period ended 31 December	
	2023	2022	2023	2022
	SR	SR	SR	SR
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of materials	412,016,659	387,280,310	597,936,461	814,723,255
Salaries and employees' benefits	15,905,251	16,782,586	46,888,231	43,666,660
Depreciation of property, plant, and equipment	4,962,132	4,538,123	14,485,664	13,549,733
Short-term rent expenses	3,004,109	3,809,362	9,686,761	7,644,993
Depreciation of right-of-use assets	1,435,386	1,603,178	4,336,839	4,429,286
Utilities expenses	1,569,667	2,459,581	4,610,912	5,719,376
Repair expenses	719,215	1,255,871	2,196,797	2,008,076
Packing material	802,455	1,273,456	1,950,969	2,599,037
Amortisation of intangible assets	376,347	8,553	457,646	23,586
Provision for inventory obsolescence	32,000	(844,761)	(401,085)	(330,229)
Others	529,381	649,640	1,528,580	1,552,825
	<u>441,352,602</u>	<u>418,815,899</u>	<u>683,677,775</u>	<u>895,586,598</u>

6 General and administrative expenses

	For the three-month period ended 31 December		For the nine-month period ended 31 December	
	2023	2022	2023	2022
	SR	SR	SR	SR
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Salaries and employees' benefits	3,003,199	2,886,877	8,702,431	8,079,583
Directors' fees	912,333	1,417,017	1,976,833	1,767,320
Professional fees	834,201	114,729	1,744,649	1,348,957
Utilities expenses	347,424	631,425	881,815	1,183,075
Repair expenses	207,122	657,617	652,166	748,079
Depreciation of property, plant, and equipment	86,566	69,893	248,509	202,314
Amortisation of intangible assets	107,528	2,444	130,756	6,739
Travelling expenses	52,354	26,736	103,702	60,691
Others	238,733	775,700	514,547	856,175
	<u>5,789,460</u>	<u>6,582,438</u>	<u>14,955,408</u>	<u>14,252,933</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 31 December 2023

7 Selling and marketing expenses

	For the three-month period ended 31 December		For the nine-month period ended 31 December	
	2023	2022	2023	2022
	SR	SR	SR	SR
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Salaries and employees' benefits	491,146	504,929	1,477,322	1,413,534
Travelling expenses	157,216	52,120	285,202	70,573
Depreciation of property, plant, and equipment	34,810	27,373	100,750	78,522
Amortisation of intangible assets	53,764	1,222	65,378	3,370
Others	187,672	267,724	512,414	514,010
	924,608	853,368	2,441,066	2,080,009

8 Earning per share

Basic and diluted earnings per share is calculated by dividing the net profit for the periods ended 31 December 2023 and 31 December 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 31 December		For the nine-month period ended 31 December	
	2023	2022	2023	2022
	SR	SR	SR	SR
Profit for the period	85,718,849	47,523,974	87,950,945	62,981,626
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	2.72	1.51	2.79	2.00

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 31 December 2023

9 Property, plant and equipment

	1 April 2023	Additions	Transfers	31 December 2023
	SR	SR	SR	SR
31 December 2023 (unaudited)				
<i>Cost:</i>				
Buildings and leasehold improvements	74,938,865	6,800	-	74,945,665
Plant and machinery	557,503,900	2,843,662	1,006,133	561,353,695
Furniture, fixtures and office equipment	5,341,896	1,293,470	-	6,635,366
Vehicles	1,559,416	-	-	1,559,416
Capital work-in-progress	143,771	862,362	(1,006,133)	-
	<u>639,487,848</u>	<u>5,006,294</u>	<u>-</u>	<u>644,494,142</u>
<i>Accumulated depreciation:</i>				
Buildings and leasehold improvements	44,588,974	3,077,404	-	47,666,378
Plant and machinery	343,878,160	11,401,613	-	355,279,773
Furniture, fixtures and office equipment	3,932,575	310,599	-	4,243,174
Vehicles	1,340,951	45,307	-	1,386,258
	<u>393,740,660</u>	<u>14,834,923</u>	<u>-</u>	<u>408,575,583</u>
Net book value	<u><u>245,747,188</u></u>			<u><u>235,918,559</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 (UNAUDITED) (continued)

At 31 December 2023

9 Property, plant and equipment (continued)

Entire property, plant and equipment are mortgaged as security against loan obtained from SIDF (refer note 16).

10 Inventories

	<i>Note</i>	31 December 2023 SR (Unaudited)	31 March 2023 SR (Audited)
Raw materials	10.1	209,536,533	48,522,329
Work-in-progress	10.2	138,629,207	-
Finished products		54,051,840	4,462,648
Spare parts and supplies, held not for sale		17,281,727	16,683,879
		419,499,307	69,668,856
Less: provision for inventory obsolescence	10.3	(4,436,560)	(4,837,645)
		415,062,747	64,831,211

10.1 All raw material purchases are primarily against confirmed orders.

10.2 Work-in-progress represents pipes manufactured as at 31 December 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.

10.3 Movement in provision for inventory obsolescence is as follows:

	31 December 2023 SR (Unaudited)	31 March 2023 SR (Audited)
At the beginning of the period	4,837,645	4,803,455
(Reversals)/additions	(401,085)	34,190
At the end of the period	4,436,560	4,837,645

11 Trade receivables

	<i>Note</i>	31 December 2023 SR (Unaudited)	31 March 2023 SR (Audited)
Trade receivables	11.1	837,646,314	559,370,161
Less: Expected credit losses (ECL) allowance	11.2	(1,183,488)	(563,487)
		836,462,826	558,806,674

11.1 Includes SR 65 million advance invoices issued as per the agreements with the customers (refer to note 15).

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 31 December 2023

11 Trade receivables (continued)

11.2 Movement in ECL allowance is as follows:

	31 December 2023	31 March 2023
	SR	SR
	(Unaudited)	(Audited)
At the beginning of the period	563,487	2,292,837
Additions	870,163	2,233,742
Reversal	(250,162)	(3,963,092)
At the end of the period	1,183,488	563,487

12 Prepayments and other current assets

	31 December 2023	31 March 2023
	SR	SR
	(Unaudited)	(Audited)
Advances to suppliers	218,864,150	33,217,377
Contract assets	630,314	3,114,129
Prepaid expenses	1,837,685	3,206,344
Margin against letters of guarantee	1,242,991	3,728,972
Others	2,750,094	1,851,919
	225,325,234	45,118,741

12.1 Pertains to advances paid to suppliers for purchases of materials and services which are primarily against confirmed orders.

13 Cash and cash equivalents

	31 December 2023	31 March 2023
	SR	SR
	(Unaudited)	(Audited)
Cash in hand	4,488	18,471
Cash at bank	2,232,342	10,375,130
Short-term deposits	-	43,000,000
	2,236,830	53,393,601

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 (31 March 2023: 5.15% to 5.25% per annum).

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 31 December 2023

14 Share capital

As at 31 December 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:

		<i>Shareholding %</i>	
	<i>Note</i>	31 December 2023	31 March 2023
		SR	SR
Welspun Mauritius Holdings Company Ltd.	14.1	31.49%	35.01%
Aziz Company for Contracting & Industrial Investment	14.2	-	19.95%
Vision International Investment Company		11.55%	11.55%
Saleh Muhammad Hamad Al-Hammadi	14.2	9.98%	-

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

14.2 On 30 October 2023, Aziz Company for Contracting & Industrial Investment sold 50% of its shareholding to Saleh Muhammad Hamad Al-Hammadi and 50% to other private investors.

14.3 On 23 Rabi' al Awwal 1444H (corresponding to 19 October 2022), the shareholders of the Company during the extraordinary general assembly meeting approved the Board of Directors resolution dated on 10 Muharram 1444H (corresponding to 8 August 2022) to increase the share capital of the Company by 50% from SAR 210 million to SAR 315 million by issuing 1 bonus share for every 2 shares held by the shareholders. The legal formalities in respect of the Company's share capital increase have been completed during the period ended 31 December 2023.

15 Accrued expenses and other current liabilities

	<i>Note</i>	31 December 2023	31 March 2023
		SR	SR
		<i>(Unaudited)</i>	<i>(Audited)</i>
Goods received invoice not received	15.1	142,689,432	17,323,678
Advances from customers	15.2	68,004,175	1,325,820
Accrued expenses		14,451,292	11,443,005
Accrued salaries and benefits		5,327,033	13,731,081
Value added tax payable		23,627,273	11,179,865
Other		2,237,212	39,625
		256,336,417	55,043,074

15.1 Represents goods received to perform confirmed orders.

15.2 Includes SR 65 million advances against invoices issued as per the agreements with the customers. As at 31 December 2023, these advances have not yet been collected and hence these have been recorded under trade receivables (note 11).

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 31 December 2023

16 Borrowings

16.1 Short-term borrowings

	31 December 2023 SR (Unaudited)	31 March 2023 SR (Audited)
Short term borrowing	722,129,201	242,240,845
Accrued finance costs	4,061,858	2,635,433
	<u>726,191,059</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.

During the period, the Company has signed a new agreement with a local bank to obtain various financing facilities for a maximum limit of SR 200 million. The facilities bear financial charges at prevailing market rates which are based on Saudi Arabian Inter-bank Offer Rate. The facilities are secured by promissory note issued by the Company.

16.2 Long-term borrowings

During the period, the Company has finalized a long term loan agreement of SR 135 million with Saudi Industrial Development Fund ("SIDF") to finance its working capital. The loan is secured by mortgage of the Company's plant and all property and equipment on the Company's leased land from Modon.

The loan carries evaluation and follow up fees/costs. The loan is repayable within 2 years from the disbursement date in 4 equal installments. The covenants of the borrowing facility with SIDF require the Company to maintain certain level of financial conditions. As at 31 December 2023, the Company was in compliance with such covenants.

17 Zakat and income tax matters

17.1 Zakat and income tax payable

	Zakat SR	Income tax SR	Total SR
At 1 April 2023	6,451,873	-	6,451,873
Provisions:			
Current period	6,319,947	5,509,106	11,829,053
Prior year adjustments	-	(50,763)	(50,763)
	6,319,947	5,458,343	11,778,290
Payment	(6,492,223)	-	(6,492,223)
At 31 December 2023 (unaudited)	<u>6,279,597</u>	<u>5,458,343</u>	<u>11,737,940</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 31 December 2023

17 Zakat and income tax matters (continued)

17.1 Zakat and income tax payable (continued)

	Zakat SR	Income tax SR	Total SR
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 31 December 2023 advance income tax amounting to SR 15.4 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 ZATCA did not issue assessments for the subjective years yet.

17.3 Deferred tax liabilities

At 31 December 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	1,892,573	35,826	281,634	(1,495,588)	(33,452)	680,993
At 31 December 2023						
(Unaudited)	(2,033,823)	(1,273,461)	(279,415)	9,974,967	(35,744)	6,352,524

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 31 December 2023

17 Zakat and income tax matters (continued)

17.3 Deferred tax liabilities (continued)

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)	<u>(3,926,396)</u>	<u>(1,309,287)</u>	<u>(561,049)</u>	<u>11,470,555</u>	<u>(2,292)</u>	<u>5,671,531</u>

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 nine-month period ended 31 December	
	2023	2022
	SR	SR
	(Unaudited)	(Unaudited)
Current income tax	5,509,106	3,821,338
Adjustment related to prior years	(50,763)	(1,965,966)
Deferred income tax	680,993	304,973
	<u>6,139,336</u>	<u>2,160,345</u>

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).

18.1 Following are the significant transactions entered by the Company with related parties, during the period:

	For the three-month period ended 31 December		For the nine-month period ended 31 December	
	2023	2022	2023	2022
	SR	SR	SR	SR
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Payments on behalf of shareholder	168,824	1,766	168,824	1,766
Financial charges charged by the shareholder	-	29,868	-	29,868
	<u>168,824</u>	<u>31,634</u>	<u>168,824</u>	<u>31,634</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At 31 December 2023

18 Related parties transactions and balances (continued)

18.2 Key management personnel compensation:

	For the three-month period ended 31 December		For the nine-month period ended 31 December	
	2023	2022	2023	2022
	SR	SR	SR	SR
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	1,439,556	1,424,257	4,318,670	4,272,773
Post-employment benefits	58,237	206,276	174,713	379,077
Remuneration and compensation of Board members and other related committees	680,583	871,555	1,976,833	1,895,301
	2,178,376	2,502,088	6,470,216	6,547,151

19 Contingencies and commitments

As at 31 December 2023, the Company was contingently liable for letters of credit and guarantee in the normal course of business amounting to SR 662 million (31 March 2023: SR 487.7 million).

20 Fair value of assets and liabilities

As at 31 December 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 Dividends

On 5 Duh Al-Qi'dah 1444H (corresponding to 25 May 2023), the Board of Directors, resolved to distribute cash dividends of SR 1 per share amounting to SR 31.5 million for the financial year of 2023. Dividends have been fully paid during the period.

22 Events after the reporting date

No events have arisen subsequent to 31 December 2023 and before the date of issuing the financial statements that could have a significant effect on the financial statements as at 31 December 2023.

23 Comparative figures

Certain comparative figures for the prior period (31 December 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	892,974,045	2,612,553	895,586,598
General and administrative expenses	12,824,644	1,428,289	14,252,933
Selling and marketing expenses	6,120,851	(4,040,842)	2,080,009