

**EAST PIPES INTEGRATED COMPANY FOR INDUSTRY  
(A SAUDI 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 2022**

**EAST PIPES INTEGRATED COMPANY FOR INDUSTRY (A Saudi Joint Stock Company)**

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**INTERIM CONDENSED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW  
REPORT (UNAUDITED)  
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 31 DECEMBER 2022**

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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 (A SAUDI JOINT STOCK COMPANY)

### Introduction

We have reviewed the accompanying interim condensed statement of financial position of East Pipes Integrated Company for Industry (the "Company"), a Saudi Joint Stock Company as at 31 December 2022, 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 2022 and related interim condensed statements of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other 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 financial statements of the Company for the year ended 31 March 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on 26 May 2022. Further, the interim condensed financial statements of the Company for the three-month period ended 30 June 2022 and for the nine-month period ended 31 December 2021 were reviewed by another auditor who expressed an unmodified review conclusion on those financial statements on 28 July 2022 and 9 February 2022, respectively.

for Ernst & Young Professional Services

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

Al Khobar: 10 Rajab 1444 H  
01 February 2023




**EAST PIPES INTEGRATED COMPANY FOR INDUSTRY (A Saudi 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 2022

	Note	Three-month period ended 31 December		Nine-month period ended 31 December	
		2022 SR (Unaudited)	2021 SR (Unaudited)	2022 SR (Unaudited)	2021 SR (Unaudited)
Revenue from contracts with customers	4	487,249,090	133,249,622	996,354,041	403,747,976
Cost of revenue	5	(417,701,595)	(140,783,691)	(892,974,045)	(390,876,541)
<b>GROSS PROFIT</b>		<b>69,547,495</b>	<b>(7,534,069)</b>	<b>103,379,996</b>	<b>12,871,435</b>
General and administrative expenses	6	(5,747,933)	(4,274,891)	(12,824,644)	(10,702,185)
Selling and marketing expenses	7	(2,802,177)	(1,313,214)	(6,120,851)	(5,654,022)
Reversal of / (allowance for) expected credit loss	11	468,947	(1,373,150)	2,237,113	3,782,108
Other operating (expense) / income - net		(852,651)	61,029	(504,777)	(491,447)
<b>OPERATING PROFIT / (LOSS)</b>		<b>60,613,681</b>	<b>(14,434,295)</b>	<b>86,166,837</b>	<b>(194,111)</b>
Finance costs		(7,362,352)	(4,261,696)	(16,244,084)	(14,331,106)
<b>PROFIT / (LOSS) BEFORE ZAKAT AND INCOME TAX</b>		<b>53,251,329</b>	<b>(18,695,991)</b>	<b>69,922,753</b>	<b>(14,525,217)</b>
Zakat expense	17.1	(1,986,966)	(1,256,476)	(4,780,782)	(860,416)
Income tax (expense) / reversal	17.4	(3,740,389)	1,112,633	(2,160,345)	(2,180,330)
<b>NET PROFIT / (LOSS) FOR THE PERIOD</b>		<b>47,523,974</b>	<b>(18,839,834)</b>	<b>62,981,626</b>	<b>(17,565,963)</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
<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		136,255	94,020	559,314	175,948
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</b>		<b>47,660,229</b>	<b>(18,745,814)</b>	<b>63,540,940</b>	<b>(17,390,015)</b>
<b>Earnings per share</b>					
Basic and diluted	8	1.51	(0.60)	2.00	(0.56)

  
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.

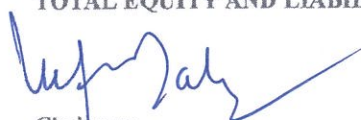



**EAST PIPES INTEGRATED COMPANY FOR INDUSTRY (A Saudi Joint Stock Company)**

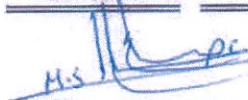
**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2022

	Note	31 December 2022 SR (Unaudited)	31 March 2022 SR (Audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	250,926,969	262,334,824
Right-of-use assets		14,838,373	17,992,819
Intangible assets		642,673	117,897
<b>TOTAL NON-CURRENT ASSETS</b>		<b>266,408,015</b>	<b>280,445,540</b>
<b>CURRENT ASSETS</b>			
Inventories	10	279,311,649	39,749,461
Trade receivables	11	540,187,769	375,167,950
Prepayments and other current assets	12	74,930,460	114,873,225
Advance for income tax	17	8,490,791	11,800,913
Cash and cash equivalents	13	76,747,983	73,881,609
<b>TOTAL CURRENT ASSETS</b>		<b>979,668,652</b>	<b>615,473,158</b>
<b>TOTAL ASSETS</b>		<b>1,246,076,667</b>	<b>895,918,698</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	14	315,000,000	210,000,000
Statutory reserve		35,005,488	35,005,488
Retained earnings		228,525,580	269,984,640
<b>TOTAL EQUITY</b>		<b>578,531,068</b>	<b>514,990,128</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		8,243,779	12,833,401
Deferred tax liabilities	17	5,402,731	5,097,758
Employees end of service benefits		18,156,506	16,905,758
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>31,803,016</b>	<b>34,836,917</b>
<b>CURRENT LIABILITIES</b>			
Trade payables		140,064,400	30,640,660
Accrued expenses and other current liabilities	15	42,988,097	32,122,706
Current portion of lease liabilities		6,420,733	5,651,867
Short-term borrowings	16	441,798,542	274,319,530
Zakat provision	17	4,470,811	3,356,890
<b>TOTAL CURRENT LIABILITIES</b>		<b>635,742,583</b>	<b>346,091,653</b>
<b>TOTAL LIABILITIES</b>		<b>667,545,599</b>	<b>380,928,570</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,246,076,667</b>	<b>895,918,698</b>

  
**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 (A Saudi Joint Stock Company)**


**INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)**

For the nine-month period ended 31 December 2022

	<i>Nine-month period ended 31 December</i>	
	2022	2021
	SR	SR
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>Operating activities</b>		
Profit / (Loss) before zakat and income tax	69,922,753	(14,525,217)
<i>Adjustments to reconcile profit / (loss) before zakat and income tax to net cash flows (used in) operating activities:</i>		
Depreciation of property, plant, and equipment	13,830,514	13,771,324
Depreciation of right-of-use assets	4,429,286	5,251,628
Amortization of intangible assets	33,695	10,513
Provision for inventory obsolescence	(330,229)	523,910
Reversal of expected credit loss allowance	(2,237,113)	(3,782,108)
Finance costs	16,244,084	14,331,106
Provision for employee end of service benefits	1,768,154	1,683,938
	<u>103,661,144</u>	<u>17,265,094</u>
<i>Working capital changes:</i>		
Inventories	(239,231,959)	(54,713,341)
Trade receivables	(162,782,706)	116,519,633
Prepayments and other current assets	39,942,765	4,969,372
Advance for income tax	1,454,750	(4,625,506)
Trade payables	109,423,740	(55,931,576)
Accrued expenses and other current liabilities	10,865,391	(9,313,325)
Cash (used in) / from operations	<u>(136,666,875)</u>	<u>14,170,351</u>
Employees' end of service benefits paid	(352,077)	(1,314,416)
Finance costs paid	(14,504,595)	(13,542,019)
Zakat paid	(3,666,861)	(10,808,967)
Net cash used in operating activities	<u>(155,190,408)</u>	<u>(11,495,051)</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(2,422,659)	(2,122,591)
Purchases of intangible assets	(558,471)	-
Net cash used in investing activities	<u>(2,981,130)</u>	<u>(2,122,591)</u>
<b>Financing activities</b>		
Proceeds from short-term borrowings	923,981,286	96,130,989
Repayments of short-term borrowings	(757,847,779)	(1,826,617)
Payments of lease liabilities	(5,095,595)	(5,532,225)
Cash from financing activities	<u>161,037,912</u>	<u>88,772,147</u>
<b>Increase in cash and cash equivalents</b>	2,866,374	75,154,505
<b>Cash and cash equivalents at the beginning of the period</b>	73,881,609	42,316,443
<b>Cash and cash equivalents at the end of the period</b>	<u><u>76,747,983</u></u>	<u><u>117,470,948</u></u>

  
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 (A Saudi Joint Stock Company)**


**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**

For the nine-month period ended 31 December 2022

	Share capital		Statutory reserve		Retained earnings		Total	
	SR	SR	SR	SR	SR	SR	SR	SR
As at 1 April 2021 (audited)	210,000,000	35,005,488	272,611,582	517,617,070				
Net loss for the period	-	-	(17,565,963)	(17,565,963)				
Other comprehensive income for the period	-	-	175,948	175,948				
Total comprehensive loss for the period	-	-	(17,390,015)	(17,390,015)				
As at 31 December 2021 (unaudited)	210,000,000	35,005,488	255,221,567	500,227,055				
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)	-				
Net 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				

  
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 Vipul Shiv Sahai Mathur

  
**Chief Executive Officer**  
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The attached notes 1 to 22 form part of these interim condensed financial statements.



## **EAST PIPES INTEGRATED COMPANY FOR INDUSTRY (A Saudi Joint Stock Company)**

### **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

At 31 December 2022

#### **1 CORPORATE INFORMATION**

East Pipes Integrated Company for Industry (the "Company") is a 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 and sale of spiral steel pipes.

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 2022 were authorised for issuance by the Board of Directors on 7 Rajab 1444 H (corresponding to 29 January 2023).

#### **Change in legal status of the Company**

During 2019, the Board of Directors ("BoD") of the Company recommended to initiate legal formalities to file for the Company's Initial Public Offering ("IPO") with the relevant regulatory authorities in the Kingdom of Saudi Arabia. As part of the IPO plans, on 10 September 2020, the BoD of the Company recommended to convert the Company from a limited liability company to a closed joint stock company. Based on the BoD recommendation, on 21 September 2020, the Company's shareholders resolved to convert the Company into a closed joint stock company. The legal formalities of updating the Company's By-laws and CR to convert the Company from a closed joint stock company to a joint stock company are completed on 24 November 2022. The Company's shares started trading on Saudi Stock Exchange during the month of February 2022.

#### **Liquidity position**

As of 31 December 2022, the Company has a current ratio of 1.54, cash and cash equivalents of Saudi Riyals 76.7 million and unutilized credit facilities of Saudi Riyals 709 million. The Company's management has also forecasted its liquidity position and believes that the Company will be able to adequately meet its working capital and capital expenditure needs for the coming twelve months from the reporting date.

#### **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 is to be read in conjunction with the annual financial statements for the year ended 31 March 2022. In addition the results of the operations for the period ended 31 December 2022 do not necessarily represent an indicator for the results of the operations for the year ending 31 March 2023.

##### **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.



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

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

At 31 December 2022

#### 2 BASIS OF PREPARATION (continued)

##### 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.

As at 31 December 2022, 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 2022.

#### 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 2022 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 2022:

###### IAS 16 'Property, plant and equipment': Proceeds before intended use - Amendments to IAS 16:

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

###### Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

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

At 31 December 2022

#### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 3.2 New standards, interpretations and amendments issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's interim condensed financial statements are listed below. The Company intends to adopt these standards when they become effective.

<u>Standard/ Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1 and As of 31 December 2022, the	Disclosure of accounting policies	1 January 2023
Amendments to IAS 8	Definition of accounting estimates	1 January 2023
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023

#### 4 Revenue from contract with customers

	For the nine-month period ended 31 December	
	2022 SR (Unaudited)	2021 SR (Unaudited)
<b>At a point in time</b>		
-Revenue from sale of goods	901,993,656	368,469,305
<b>Overtime</b>		
-Revenue from rendering of services	94,360,385	35,278,671
	<u>996,354,041</u>	<u>403,747,976</u>

#### 5 Cost of revenue

	For the nine-month period ended 31 December	
	2022 SR (Unaudited)	2021 SR (Unaudited)
Cost of materials	812,898,939	325,905,513
Salaries and benefits	43,401,367	33,022,596
Depreciation	17,979,244	18,643,560
Utilities	5,521,018	3,204,229
Rent	3,897,162	3,274,113
Packing material	2,358,887	1,559,635
Provision for inventory obsolescence	724,944	523,910
Amortisation	26,956	8,410
Others	6,165,528	4,734,575
	<u>892,974,045</u>	<u>390,876,541</u>

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

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

At 31 December 2022

#### 6 General and administrative expenses

	For the nine-month period ended 31 December	
	2022 SR (Unaudited)	2021 SR (Unaudited)
Salaries and benefits	8,346,168	6,688,234
Utilities	1,224,091	1,160,820
Professional fees	1,079,890	902,947
Repair	808,239	241,146
Depreciation	202,164	185,799
Travel	57,070	27,367
Rent	32,000	60,919
Amortisation	6,739	2,103
Others	1,068,283	1,432,850
	<u>12,824,644</u>	<u>10,702,185</u>

#### 7 Selling and marketing expenses

	For the nine-month period ended 31 December	
	2022 SR (Unaudited)	2021 SR (Unaudited)
Rent	3,822,497	3,131,970
Salaries and benefits	1,403,586	1,110,136
Depreciation	78,447	76,594
Travelling expenses	2,646	1,256
Other	813,675	1,334,066
	<u>6,120,851</u>	<u>5,654,022</u>

#### 8 Earning per share

Basic and diluted earnings per share is calculated by dividing the net profit for the periods ended 31 December 2022 and 31 December 2021, by the weighted average number of shares outstanding at the end of the respective period.

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 (note 14). Accordingly, the number of shares used in the calculation of basic and diluted earnings per share was adjusted for all the periods presented.



**EAST PIPES INTEGRATED COMPANY FOR INDUSTRY (A Saudi Joint Stock Company)**

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

At 31 December 2022

**9 Property, plant and equipment**

	1 April 2022 SR	Additions SR	Transfers SR	31 December 2022 SR
<b>31 December 2022</b>				
<i>Cost:</i>				
Buildings and leasehold improvements	74,405,649	51,808	137,640	74,595,097
Plant and machinery	556,476,431	-	932,244	557,408,675
Furniture, fixtures and office equipment	3,951,883	316,780	937,522	5,206,185
Vehicles	1,348,386	211,032	-	1,559,418
Capital work-in-progress	361,650	1,843,039	(2,007,406)	197,283
	<u>636,543,999</u>	<u>2,422,659</u>	<u>-</u>	<u>638,966,658</u>
<i>Accumulated depreciation:</i>				
Buildings and leasehold improvements	40,520,393	3,062,273	-	43,582,666
Plant and machinery	328,655,432	10,636,842	-	339,292,274
Furniture, fixtures and office equipment	3,737,846	100,806	-	3,838,652
Vehicles	1,295,504	30,593	-	1,326,097
	<u>374,209,175</u>	<u>13,830,514</u>	<u>-</u>	<u>388,039,689</u>
<b>Net book value</b>	<u>262,334,824</u>			<u>250,926,969</u>
	1 April 2021 SR	Additions SR	Transfer SR	31 March 2022 SR
<b>31 March 2022 (audited)</b>				
<i>Cost:</i>				
Buildings and leasehold improvements	73,203,402	-	1,202,247	74,405,649
Plant and machinery	554,947,490	249,920	1,279,021	556,476,431
Furniture, fixtures and office equipment	3,874,528	77,355	-	3,951,883
Vehicles	1,348,386	-	-	1,348,386
Capital work-in-progress	-	2,842,918	(2,481,268)	361,650
	<u>633,373,806</u>	<u>3,170,193</u>	<u>-</u>	<u>636,543,999</u>
<i>Accumulated depreciation:</i>				
Buildings and leasehold improvements	36,542,065	3,978,328	-	40,520,393
Plant and machinery	314,578,800	14,076,632	-	328,655,432
Furniture, fixtures and office equipment	3,595,017	142,829	-	3,737,846
Vehicles	1,277,404	18,100	-	1,295,504
	<u>355,993,286</u>	<u>18,215,889</u>	<u>-</u>	<u>374,209,175</u>
<b>Net book value</b>	<u>277,380,520</u>			<u>262,334,824</u>

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

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

At 31 December 2022

#### 10 Inventories

	31 December 2022	31 March 2022
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Raw materials	243,927,364	10,162,771
Work-in-progress	1,174,507	74,562
Finished products	11,224,086	6,566,497
Spare parts and supplies, held not for sale	30,633,974	30,924,142
	<u>286,959,931</u>	<u>47,727,972</u>
Less: provision for inventory obsolescence	(7,648,282)	(7,978,511)
	<u>279,311,649</u>	<u>39,749,461</u>

Movement in provision for inventory obsolescence is as follows:

	31 December 2022	31 March 2022
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
At the beginning of the period	7,978,511	7,619,234
Additions	724,944	359,277
Reversal	(1,055,173)	-
At the end of the period	<u>7,648,282</u>	<u>7,978,511</u>

#### 11 Trade receivables

	31 December 2022	31 March 2022
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade receivables	540,243,493	377,460,787
Less: Expected credit losses (ECL) allowance	(55,724)	(2,292,837)
	<u>540,187,769</u>	<u>375,167,950</u>

Movement in ECL allowance is as follows:

	31 December 2022	31 March 2022
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
At the beginning of the period	2,292,837	6,669,203
Additions	1,980,793	-
Reversal	(4,217,906)	(4,376,366)
At the end of the period	<u>55,724</u>	<u>2,292,837</u>

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

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

At 31 December 2022

#### 12 Prepayments and other current assets

	31 December 2022	31 March 2022
	SR	SR
	<i>(Unaudited)</i>	<i>(Audited)</i>
Advances to suppliers	55,705,512	76,299,816
Contract assets	12,559,219	3,282,896
Margin against letter of guarantee	3,728,972	31,271,927
Prepaid expenses	1,856,379	3,247,619
Others	1,080,378	770,967
	<u>74,930,460</u>	<u>114,873,225</u>

#### 13 Cash and cash equivalents

	31 December 2022	31 March 2022
	SR	SR
	<i>(Unaudited)</i>	<i>(Audited)</i>
Cash in hand	39,433	7,847
Cash at bank	76,708,550	48,873,762
Time deposits	-	25,000,000
	<u>76,747,983</u>	<u>73,881,609</u>

Time deposits represented placements with a commercial bank for a period of less than three months and yield financial income at prevailing market rates.

#### 14 Share capital

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

Accordingly, as at 31 December 2022, the authorised, issued and fully paid-up share capital comprised of 31,500,000 ordinary shares (31 March 2022: 21,000,000 ordinary shares) of Saudi Riyals 10 each.

#### 15 Accrued expenses and other current liabilities

	31 December 2022	31 March 2022
	SR	SR
	<i>(Unaudited)</i>	<i>(Audited)</i>
Value added tax payable	30,089,194	19,797,478
Salaries and benefits	5,761,411	5,753,318
Accrued expenses	4,486,514	3,330,491
Advances from customers	2,636,353	1,829,769
Due to related parties	-	1,411,650
Others	14,625	-
	<u>42,988,097</u>	<u>32,122,706</u>



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

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

At 31 December 2022

#### 16 Short-term borrowings

	31 December 2022	31 March 2022
	SR	SR
	<i>(Unaudited)</i>	<i>(Audited)</i>
Short term borrowing	436,447,159	270,313,652
Accrued finance costs	5,351,383	4,005,878
	<u>441,798,542</u>	<u>274,319,530</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 Saudi Riyals.

#### 17 Zakat and income tax matters

##### 17.1 Zakat payable and advance income tax

	Zakat SR	Income tax SR	Total SR
At 1 April 2022	3,356,890	(11,800,913)	(8,444,023)
Provisions:			
Current year	4,470,811	3,821,338	8,292,149
Prior year adjustments	<u>309,971</u>	<u>(1,965,966)</u>	<u>(1,655,995)</u>
	4,780,782	1,855,372	6,636,154
Payment	(3,666,861)	-	(3,666,861)
Refund from the prior year	-	1,454,750	1,454,750
At 31 December 2022	<u>4,470,811</u>	<u>(8,490,791)</u>	<u>(4,019,980)</u>
At 1 April 2021	5,817,447	(4,116,376)	1,701,071
Provisions:			
Current year	3,356,890	584,534	3,941,424
Prior year adjustments	<u>(2,295,612)</u>	<u>2,661,626</u>	<u>366,014</u>
	1,061,278	3,246,160	4,307,438
Payment	(3,521,835)	-	(3,521,835)
Advance tax paid during the year	-	(10,930,697)	(10,930,697)
At 31 March 2022	<u>3,356,890</u>	<u>(11,800,913)</u>	<u>(8,444,023)</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 31 December 2022 advance income tax amounting to Saudi Riyals 8.06 million (31 March 2022: Saudi Riyals 11.8 million).

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

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

At 31 December 2022

#### 17 Zakat and income tax matters (continued)

##### 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 through 2021 from Zakat, Tax and Customs Authority ("ZATCA"), the Company has a certificate valid up to 31 July 2023. ZATCA has not issued final assessments for the year 2015, accordingly this year are deemed assessed based on the relevant time barred provisions in the Income Tax and Zakat Regulations.

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 Saudi Riyals 4.6 million. The company settled an amount of Saudi Riyals 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 nine-month period ended 31 December 2022, ZATCA issued the final assessment for the year ended 31 March 2017 showing an additional zakat liability of SAR. 2,234,284. The Company settled an amount of SAR. 3,698 and requested the ZATCA to adjust the remaining amount of SAR. 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 nine-month period ended 31 December 2022, 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 SAR. 2,710,151. The Company settled an amount of SAR. 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 31 December 2022

	Carried forward losses SR	Employee benefit 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	456,549	(87,577)	23,122	(282,163)	195,042	304,973
<b>At 31 December 2022</b>						
<b>(Unaudited)</b>	<b>(4,712,877)</b>	<b>(1,271,318)</b>	<b>(535,533)</b>	<b>11,914,187</b>	<b>8,272</b>	<b>5,402,731</b>

At 31 March 2022

	Carried forward losses SR	Employee benefit obligations SR	Provision for inventory obsolescence SR	Property, plant and equipment SR	Other SR	Total SR
At 1 April 2021	(6,880,128)	(1,663,335)	(762,076)	18,055,178	(746,327)	8,003,312
Charged (credited) / debited to:						
Profit or loss	1,710,702	479,594	203,421	(5,858,828)	559,557	(2,905,554)
<b>At 31 March 2022</b>						
<b>(Audited)</b>	<b>(5,169,426)</b>	<b>(1,183,741)</b>	<b>(558,655)</b>	<b>12,196,350</b>	<b>(186,770)</b>	<b>5,097,758</b>

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

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

At 31 December 2022

#### 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 Saudi Riyals 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 expense

	For the nine months period ended 31 December	
	2022 SR (Unaudited)	2021 SR (Unaudited)
Current tax	3,821,338	-
Adjustment related to prior years	(1,965,966)	2,661,626
Deferred tax	304,973	(481,296)
	<u>2,160,345</u>	<u>2,180,330</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).

A) Following are the significant transactions entered by the Company with related parties:

Nature of transactions and relationship	Three months period ended 31 December		Nine months period ended 31 December	
	2022 SR (Unaudited)	2021 SR (Unaudited)	2022 SR (Unaudited)	2021 SR (Unaudited)
Purchases and other related services from a shareholder	-	329,090	-	329,090
IPO expenses charged to shareholders	-	311,050	-	1,951,468
Financial charges charged by the shareholders	-	3,130,810	29,868	8,438,386
Payments on behalf of shareholder	-	-	1,766	-

The transactions are based on terms agreed as per signed agreements between the Company and the respective related party.



**EAST PIPES INTEGRATED COMPANY FOR INDUSTRY (A Saudi Joint Stock Company)**

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

At 31 December 2022

**18 Related parties transactions and balances (continued)**

B) Key management personnel compensation:

	<i>Three months period ended 31 December</i>		<i>Nine months period ended 31 December</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Salaries and other short-term employee benefits	1,424,257	847,076	4,272,773	2,077,464
Post-employment benefits	-	6,016	379,077	12,032
Remuneration and compensation of Board members and other related committees	709,591	114,501	1,895,301	352,661
	<u>2,133,848</u>	<u>967,593</u>	<u>6,547,151</u>	<u>2,442,157</u>

C) Due to related parties

	<i>31 December 2022</i>	<i>31 March 2022</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Vision International Investment Company	-	849,194
Welspun Corp Limited	-	363,339
Aziz Company for Contracting & Industrial Investment	-	199,117
	<u>-</u>	<u>1,411,650</u>

**19 Contingencies and commitments**

As at 31 December 2022, the Company was contingently liable for letters of credits and guarantees in the normal course of business amounting to Saudi Riyals 479.3 million (31 March 2022: Saudi Riyals 448.5 million).

**20 Fair value of assets and liabilities**

As at 31 December 2022 and 31 March 2022, 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 31 December 2022 and before the date of issuing the financial statements that could have a significant effect on the financial statements as at 31 December 2022.

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

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

At 31 December 2022

#### 22 Comparative figures

Certain comparative figures for the prior year have been reclassified to conform with the current year's presentation as follows:

	<i>Previously reported</i>	<i>Reclassifications</i>	<i>Adjusted balance</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>
<b>CURRENT ASSETS</b>			
Trade and other receivables	501,842,088	(501,842,088)	-
Trade receivables	-	375,167,950	375,167,950
Prepayments and other current assets	-	114,873,225	114,873,225
Advance for income tax	-	11,800,913	11,800,913
<b>CURRENT LIABILITIES</b>			
Trade and other payables	62,763,366	(62,763,366)	-
Trade payables	-	30,640,660	30,640,660
Accrued expenses and other current liabilities	-	32,122,706	32,122,706

