

**EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A SAUDI JOINT STOCK COMPANY - NOTE 1)
INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED
30 SEPTEMBER 2022**

**EAST PIPES INTEGRATED COMPANY FOR INDUSTRY (A Saudi Joint Stock Company -
Note 1)**

INTERIM CONDENSED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW
REPORT (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 SEPTEMBER 2022

Table of content	Page
Independent auditor's review report	1
Interim condensed statement of profit or loss and other comprehensive income	2
Interim condensed statement of financial position	3
Interim condensed statement of changes in equity	4
Interim condensed statement of cash flows	5
Notes to the interim condensed financial statements	6-17



Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
Adeer Tower, 15th Floor
Prince Turki Bin Abdulaziz Street, Al Khobar Corniche
P.O. Box 3795
Al Khobar 31952
Kingdom of Saudi Arabia
Head Office – Riyadh

C.R. No. 2051058792

Tel: +966 13 840 4600
Fax: +966 13 882 0087

ey.ksa@sa.ey.com
ey.com

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 30 September 2022, and the related interim condensed statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 September 2022 and related interim condensed statements of changes in equity and cash flows for the six-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 six-month period ended 30 September 2021 were reviewed by another auditor who expressed an unmodified review conclusion on those financial statements on 28 July 2022 and 12 January 2022, respectively.

for Ernst & Young Professional Services

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

8 Rabia II 1444 H
2 November 2022

Al Khobar



EAST PIPES INTEGRATED COMPANY FOR INDUSTRY (A Saudi Joint Stock Company - Note 1)

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

For the three-month and six-month periods ended 30 September 2022

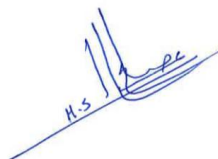
	Note	Three-month period ended 30 September		Six-month period ended 30 September	
		2022 SR (Unaudited)	2021 SR (Unaudited)	2022 SR (Unaudited)	2021 SR (Unaudited)
Revenue from contract wise customers	4	303,078,780	121,362,894	509,104,951	270,498,354
Cost of revenue	5	(288,137,684)	(112,318,503)	(475,272,450)	(250,092,850)
GROSS PROFIT		14,941,096	9,044,391	33,832,501	20,405,504
General and administrative expenses	6	(3,413,566)	(3,265,260)	(7,076,711)	(6,427,294)
Selling and marketing expenses	7	(1,680,672)	(2,528,781)	(3,318,674)	(4,340,808)
Reversal of expected credit loss allowance	11	3,438,419	2,279,942	1,768,166	5,155,258
Other operating income / (expense) - net		401,878	(201,232)	347,874	(552,476)
OPERATING PROFIT		13,687,155	5,329,060	25,553,156	14,240,184
Finance costs		(4,781,602)	(6,378,287)	(8,881,732)	(10,069,410)
PROFIT / (LOSS) BEFORE ZAKAT AND INCOME TAX		8,905,553	(1,049,227)	16,671,424	4,170,774
Zakat (expense) / reversal	16.1	(1,620,209)	1,342,735	(2,793,816)	396,060
Income tax reversal / (expense)	16.4	1,939,498	(1,167,523)	1,580,044	(3,292,963)
NET PROFIT / (LOSS) FOR THE PERIOD		9,224,842	(874,015)	15,457,652	1,273,871
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		219,697	81,928	423,059	81,928
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		9,444,539	(792,087)	15,880,711	1,355,799
Earnings per share					
Basic and diluted	8	0.29	(0.03)	0.49	0.04

Chairman
Vipul Shiv Sahai Mathur

Chief Executive Officer
Mohammed Al Shaheen

Chief Financial Officer
Mohamed Saleh Ali Darweesh

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Vipul Mathur
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The attached notes 1 to 21 form part of these interim condensed financial statements.

**EAST PIPES INTEGRATED COMPANY FOR INDUSTRY (A Saudi Joint Stock Company
- Note 1)**

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	Note	30 September 2022 SR (Unaudited)	31 March 2022 SR (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	254,068,595	262,334,824
Right-of-use assets		15,344,791	17,992,819
Intangible assets		96,421	117,897
TOTAL NON-CURRENT ASSETS		269,509,807	280,445,540
CURRENT ASSETS			
Inventories	10	95,451,958	39,749,461
Trade receivables	11	398,739,869	375,167,950
Prepayments and other current assets	12	210,744,190	114,873,225
Advance for income tax liability	16	12,728,422	11,800,913
Cash and cash equivalents	13	71,405,290	73,881,609
TOTAL CURRENT ASSETS		789,069,729	615,473,158
TOTAL ASSETS		1,058,579,536	895,918,698
EQUITY AND LIABILITIES			
EQUITY			
Share capital		210,000,000	210,000,000
Statutory reserve		35,005,488	35,005,488
Retained earnings		285,865,351	269,984,640
TOTAL EQUITY		530,870,839	514,990,128
NON-CURRENT LIABILITIES			
Lease liabilities		10,070,021	12,833,401
Deferred tax liabilities	16	4,445,223	5,097,758
Employees end of service benefits		17,683,697	16,905,758
TOTAL NON-CURRENT LIABILITIES		32,198,941	34,836,917
CURRENT LIABILITIES			
Trade payables		143,261,932	30,640,660
Accrued expenses and other current liabilities	14	15,508,775	32,122,706
Current portion of lease liabilities		6,075,126	5,651,867
Short-term borrowings	15	328,180,078	274,319,530
Zakat and income tax provision	16	2,483,845	3,356,890
TOTAL CURRENT LIABILITIES		495,509,756	346,091,653
TOTAL LIABILITIES		527,708,697	380,928,570
TOTAL EQUITY AND LIABILITIES		1,058,579,536	895,918,698

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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 21 form part of these interim condensed financial statements.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY (A Saudi Joint Stock Company - Note 1)
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 September 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 profit for the period	-	-	1,273,871	1,273,871	-	-	-	-
Other comprehensive income for the period	-	-	81,928	81,928	-	-	-	-
Total comprehensive income for the period	-	-	1,355,799	1,355,799	-	-	-	-
As at 30 September 2021 (unaudited)	210,000,000	35,005,488	273,967,381	518,972,869	210,000,000	35,005,488	269,984,640	514,990,128
As at 1 April 2022 (audited)	-	-	15,457,652	15,457,652	-	-	-	-
Net profit for the period	-	-	423,059	423,059	-	-	-	-
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	15,880,711	15,880,711	-	-	-	-
As at 30 September 2022 (unaudited)	210,000,000	35,005,488	285,865,351	530,870,839	210,000,000	35,005,488	285,865,351	530,870,839

Chairman

Vipul Shiv Sahai Mathur

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Vipul Mathur

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Chief Executive Officer

Mohammed Al Shaheen



Chief Financial Officer

Mohamed Saleh Ali Darweesh




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

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY (A Saudi Joint Stock Company - Note 1)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 September 2022

	<i>Six-month period ended 30 September</i>	
	<u>2022</u>	<u>2021</u>
	<u>SR</u>	<u>SR</u>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Operating activities		
Profit before zakat and income tax	16,671,424	4,170,774
<i>Adjustments to reconcile profit before zakat and income tax to net cash flows:</i>		
Depreciation of property, plant, and equipment	9,195,263	9,135,605
Depreciation of right-of-use assets	2,826,108	3,501,085
Amortization of intangible assets	21,476	4,615
Provision for inventory obsolescence	724,944	222,640
Reversal of provision for expected credit loss allowance	(1,768,166)	(5,155,258)
Finance costs	8,881,732	10,069,410
Provision for employee end of service benefits	1,442,295	1,414,852
	<u>37,995,076</u>	<u>23,363,723</u>
<i>Working capital changes:</i>		
Inventories	(56,427,441)	(162,905,522)
Trade receivables	(21,803,753)	206,442,831
Prepayments and other current assets	(95,870,965)	851,256
Advance for income tax liability	(927,509)	970,365
Trade payables	112,621,272	(61,337,007)
Accrued expenses and other current liabilities	(16,613,931)	(4,557,807)
Cash (used in) / from operations	<u>(41,027,251)</u>	<u>2,827,839</u>
Employees' end of service benefits paid	(241,297)	(9,739,610)
Finance costs paid	(7,643,995)	(790,378)
Zakat and income tax paid	(3,666,861)	(7,165,401)
Net cash used in operating activities	<u>(52,579,404)</u>	<u>(14,867,550)</u>
Investing activity		
Purchase of property, plant and equipment	(929,034)	(1,689,035)
Net cash used in investing activity	<u>(929,034)</u>	<u>(1,689,035)</u>
Financing activities		
Proceeds from short-term borrowings	279,192,408	117,865,581
Repayments of loans from shareholders	(225,331,860)	(965,439)
Payments of lease liabilities	(2,828,429)	(3,132,225)
Cash from financing activities	<u>51,032,119</u>	<u>113,767,917</u>
(Decrease) / increase in cash and cash equivalents	<u>(2,476,319)</u>	<u>97,211,332</u>
Cash and cash equivalents at the beginning of the period	<u>73,881,609</u>	<u>42,316,443</u>
Cash and cash equivalents at the end of the period	<u>71,405,290</u>	<u>139,527,775</u>

Chairman

Vipul Shiv Sahai Mathur

Chief Executive Officer

Mohammed Al Shaheen

Chief Financial Officer

Mohamed Saleh Ali Darweesh

DocuSigned by:

Vipul Mathur

The attached notes 1 to 21 form part of these interim condensed financial statements.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY (A Saudi Joint Stock Company - Note 1)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 30 September 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 30 September 2022 were authorised for issuance by the Board of Directors on 2 Rabia II 1444 H (corresponding to 27 October 2022).

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 currently in progress. The Company's shares started trading on Saudi Stock Exchange during the month of February 2022.

Liquidity position

As of 30 September 2022, the Company has a current ratio of 1.59, cash and cash equivalents of Saudi Riyals 71 million and unutilized credit facilities of Saudi Riyals 0.950 billion. 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. As at 30 September 2022, the Company has a confirmed order back-log of Saudi Riyals 934.9 million which is expected to be delivered in 2022-23 and the management believes that this will contribute to improved gross margins.

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 30 September 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, except for the measurement at fair value of financial assets at fair value through other comprehensive income. For employee and other post-employment benefits, actuarial present value calculations are used.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY (A Saudi Joint Stock Company - Note 1)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 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 30 September 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 consolidated 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 - Note 1)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2022

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 New standards, interpretations and amendments adopted by the Company

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

<i>Standard/ Interpretation</i>	<i>Description</i>	<i>Effective from periods beginning on or after the following date</i>
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	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 wise customers

	For the six-month period ended 30 September	
	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue from sale of goods	460,828,449	244,641,944
Revenue from rendering of services	48,276,502	25,856,410
	509,104,951	270,498,354

5 Cost of revenue

	For the six-month period ended 30 September	
	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Cost of materials	427,442,945	205,322,640
Salaries and benefits	26,712,607	23,244,393
Depreciation	11,837,769	12,453,393
Provision for inventory obsolescence	514,532	222,640
Amortisation	17,181	7,180
Others	8,747,416	8,842,604
	475,272,450	250,092,850

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY (A Saudi Joint Stock Company - Note 1)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2022

6 General and administrative expenses

	For the six-month period ended 30 September	
	<i>2022</i> <i>SR</i> <i>(Unaudited)</i>	<i>2021</i> <i>SR</i> <i>(Unaudited)</i>
Salaries and benefits	5,370,603	4,512,060
Utilities	610,256	525,756
Professional fees	282,946	524,740
Depreciation	132,387	131,922
Repair	80,622	11,211
Travel	33,263	-
Rent	32,000	-
Amortisation	4,295	1,795
Others	530,339	719,810
	<u>7,076,711</u>	<u>6,427,294</u>

7 Selling and marketing expenses

	For the six-month period ended 30 September	
	<i>2022</i> <i>SR</i> <i>(Unaudited)</i>	<i>2021</i> <i>SR</i> <i>(Unaudited)</i>
Rent	1,917,816	2,618,897
Salaries and benefits	902,174	799,682
Depreciation	51,215	51,375
Travelling expenses	692	-
Other	446,777	870,854
	<u>3,318,674</u>	<u>4,340,808</u>

8 Earning per share

Basic and diluted earnings per share is calculated by dividing the net profit for the periods ended 30 September 2022 and 30 September 2021, by the weighted average number of shares outstanding at the end of the respective period. Subsequent to the date of the financial statements, 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 (note 20). Accordingly, 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 - Note 1)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2022

9 Property, plant and equipment

	1 April 2022 SR	Additions SR	Transfer SR	30 September 2022 SR
30 September 2022				
<i>Cost:</i>				
Buildings and leasehold improvements	74,405,649	-	51,809	74,457,458
Plant and machinery	556,476,431	-	161,038	556,637,469
Furniture, fixtures and office equipment	3,951,883	209,218	-	4,161,101
Vehicles	1,348,386	211,000		1,559,386
Capital work-in-progress	361,650	508,816	(212,847)	657,619
	<u>636,543,999</u>	<u>929,034</u>	<u>-</u>	<u>637,473,033</u>
<i>Accumulated depreciation:</i>				
Buildings and leasehold improvements	40,520,393	2,036,628	-	42,557,021
Plant and machinery	328,655,432	7,082,130	-	335,737,562
Furniture, fixtures and office equipment	3,737,846	61,071	-	3,798,917
Vehicles	1,295,504	15,434	-	1,310,938
	<u>374,209,175</u>	<u>9,195,263</u>	<u>-</u>	<u>383,404,438</u>
Net book value	<u><u>262,334,824</u></u>			<u><u>254,068,595</u></u>
	1 April 2021 SR	Additions SR	Transfer SR	31 March 2022 SR
31 March 2022 (audited)				
<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>
Net book value	<u><u>277,380,520</u></u>			<u><u>262,334,824</u></u>

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY (A Saudi Joint Stock Company - Note 1)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2022

10 Inventories

	30 September 2022	31 March 2022
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Raw materials	55,277,710	10,162,771
Work-in-progress	2,539,966	74,562
Finished products	13,658,558	6,566,497
Spare parts and supplies, held not for sale	32,679,179	30,924,142
	<u>104,155,413</u>	<u>47,727,972</u>
Less: provision for inventory obsolescence	<u>(8,703,455)</u>	<u>(7,978,511)</u>
	<u>95,451,958</u>	<u>39,749,461</u>

Movement in provision for inventory obsolescence is as follows:

	30 September 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
End of the period	<u>8,703,455</u>	<u>7,978,511</u>

11 Trade receivables

	30 September 2022	31 March 2022
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade receivables	399,264,540	377,460,787
Less: Expected credit losses (ECL) allowance	<u>(524,671)</u>	<u>(2,292,837)</u>
	<u>398,739,869</u>	<u>375,167,950</u>

Movement in ECL allowance is as follows:

	30 September 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	1,980,792	-
Reversal	<u>(3,748,958)</u>	<u>(4,376,366)</u>
End of the period	<u>524,671</u>	<u>2,292,837</u>

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY (A Saudi Joint Stock Company - Note 1)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2022

12 Prepayments and other current assets

	30 September 2022	31 March 2022
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Advances to suppliers	200,129,246	107,571,743
Prepaid expenses	1,902,658	3,247,619
Due from a related party (note 17)	118,124	-
Contract assets	7,569,949	3,282,896
Others	1,024,213	770,967
	<u>210,744,190</u>	<u>114,873,225</u>

13 Cash and cash equivalents

	30 September 2022	31 March 2022
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Cash in hand	42,475	7,847
Cash at bank	71,362,815	48,873,762
Time deposits	-	25,000,000
	<u>71,405,290</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 Accrued expenses and other current liabilities

	30 September 2022	31 March 2022
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Value added tax payable	4,712,079	19,797,478
Salaries and benefits	5,130,744	5,753,318
Accrued expenses	2,931,274	3,330,491
Advances from customers	2,720,047	1,829,769
Due to related parties	-	1,411,650
Others	14,631	-
	<u>15,508,775</u>	<u>32,122,706</u>

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY (A Saudi Joint Stock Company - Note 1)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2022

15 Short-term borrowings

	30 September 2022 <i>SR</i> <i>(Unaudited)</i>	31 March 2022 <i>SR</i> <i>(Audited)</i>
Short term borrowing	326,161,125	270,313,652
Accrued finance costs	2,018,953	4,005,878
	<u>328,180,078</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 carrying value of the short-term borrowings are denominated in Saudi Riyals.

16 Zakat and income tax matters

16.1 Zakat payable and advance income tax

	Zakat <i>SR</i>	Income tax <i>SR</i>	Total <i>SR</i>
At 1 April 2022	3,356,890	(11,800,913)	(8,444,023)
Provisions:			
Current year	2,793,816	1,038,457	3,832,273
Prior year adjustments	-	(1,965,966)	(1,965,966)
	2,793,816	(927,509)	1,866,307
Payment	(3,666,861)	-	(3,666,861)
At 30 September 2022	<u>2,483,845</u>	<u>(12,728,422)</u>	<u>(10,244,577)</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	(2,295,612)	2,661,626	366,014
	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 income attributable to the foreign shareholder. As at 30 September 2022 advance income tax amounting to Saudi Riyals 12.7 million (31 March 2022: Saudi Riyals 11.8 million).

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY (A Saudi Joint Stock Company - Note 1)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2022

16 Zakat and income tax matters (continued)

16.2 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 six-month period ended 30 September 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 six-month period ended 30 September 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.

16.3 Deferred tax liabilities

At 30 September 2022

	Carried forward losses	Employee benefit obligations	Provision for inventory obsolescence	Property, plant and equipment	Other	Total
At 1 April 2022	(5,169,426)	(1,183,741)	(558,655)	12,196,350	(186,770)	5,097,758
Charged (credited) to:						
Profit or loss	(471,078)	(54,471)	(50,761)	(189,748)	113,523	(652,535)
At 30 September 2022 (Unaudited)	(5,640,504)	(1,238,212)	(609,416)	12,006,602	(73,247)	4,445,223

At 31 March 2022

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

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY (A Saudi Joint Stock Company - Note 1)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2022

16 Zakat and income tax matters (continued)

16.3 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.

16.4 Income tax expense

	For the six months period ended 30 September	
	<i>2022</i>	<i>2021</i>
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current tax	1,038,457	11,575
Adjustment related to prior years	(1,965,966)	2,661,626
Deferred tax	(652,535)	619,762
	<u>(1,580,044)</u>	<u>3,292,963</u>

17 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:

	<i>Three months period ended 30 September</i>		<i>Six months period ended 30 September</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>
Nature of transactions and relationship				
Purchases and other related services from a shareholder	-	-	-	329,090
IPO expenses charged to shareholders	-	1,554,934	-	1,640,418
Financial charges charged by the shareholders	29,868	130,538	29,868	5,307,576
Payments on behalf of shareholder	1,766	-	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 - Note 1)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2022

17 Related parties transactions and balances (continued)

B) Key management personnel compensation:

	<i>Three months period ended 30 September</i>		<i>Six months period ended 30 September</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	1,424,258	619,344	2,848,516	1,230,388
Post-employment benefits	77,461	2,530	379,077	6,016
	1,501,719	621,874	3,227,593	1,236,404

C) Due from a related party

	30 September 2022	31 March 2022
	<i>SR</i>	<i>SR</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Welspun Corp Limited	118,124	-
	118,124	-

D) Due to related parties

	30 September 2022	31 March 2022
	<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
	-	1,411,650

18 Contingencies and commitments

i) As at 30 September 2022, the Company was contingently liable for letters of credits and guarantees in the normal course of business amounting to Saudi Riyals 1,785 million (31 March 2022: Saudi Riyals 448.5 million).

19 Fair value of assets and liabilities

As at 30 September 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.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY (A Saudi Joint Stock Company - Note 1)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2022

20 Events after the reporting date

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, financed from Company's retained earnings. The legal formalities of updating the Company's By-laws and CR is under process.

21 Comparative figures

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

As following:

	<i>Previously reported</i>	<i>Reclassifications</i>	<i>Adjusted balance</i>
CURRENT ASSETS			
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 liability	-	11,800,913	11,800,913
CURRENT LIABILITIES			
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