

**EAST PIPES INTEGRATED COMPANY FOR
INDUSTRY
(FORMERLY 'WELSPUN MIDDLE EAST PIPES
COMPANY')
(A CLOSED JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021
AND INDEPENDENT AUDITOR'S REPORT**

**EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

	Page
Independent auditor's report	2 - 3
Statement of profit or loss and other comprehensive income	4
Statement of financial position	5
Statement of changes in equity	6 - 7
Statement of cash flows	8
Notes to the financial statements	9 - 43



Independent auditor's report to the shareholders of East Pipes Integrated Company for Industry

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of East Pipes Integrated Company for Industry (formerly known as 'Welspun Middle East Pipes Company') (the "Company") as at 31 March 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

What we have audited

The Company's financial statements comprise:

- the statement of profit or loss and other comprehensive income for the year ended 31 March 2021;
- the statement of financial position as at 31 March 2021;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. Board of Directors, are responsible for overseeing the Company's financial reporting process.



Independent auditor's report to the shareholders of East Pipes Integrated Company for Industry (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

Ali H. Al Basri
License Number 409

24 June 2021

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A Closed Joint Stock Company)
Statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 March	
		2021	2020
Revenue	4	935,506,334	1,668,863,844
Cost of revenue	5	(705,309,370)	(1,332,511,587)
Gross profit		230,196,964	336,352,257
General and administrative expenses	6	(12,857,302)	(12,705,941)
Selling and marketing expenses	7	(5,546,803)	(7,657,200)
Expected credit loss allowance	14	(2,498,273)	(3,927,679)
Other operating (expenses) income - net	8	(1,615,788)	2,599,042
Operating profit		207,678,798	314,660,479
Financial costs	9	(32,011,022)	(48,110,487)
Profit before zakat and income tax		175,667,776	266,549,992
Zakat expense	23	(5,596,192)	(4,577,027)
Income tax expense	23	(21,805,561)	(25,039,146)
Profit for the year		148,266,023	236,933,819
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss</i>			
Remeasurements of employee benefit obligations	21	(509,422)	(1,273,370)
Total comprehensive income for the year		147,756,601	235,660,449
Earnings per share:			
Basic and diluted	28	14.63	31.16

The accompanying notes are an integral part of these financial statements.

Ali Al Khateeb
Chief Financial Officer

Idhah Zahrani
General Manager – Marketing & Sales

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A Closed Joint Stock Company)
Statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

		As at 31 March	
	Note	2021	2020
Assets			
Non-current assets			
Property, plant and equipment	10	277,380,520	229,732,636
Right-of-use assets	11	26,828,566	31,285,041
Intangible assets	12	17,563	126,149
Total non-current assets		304,226,649	261,143,826
Current assets			
Inventories	13	114,495,319	175,783,794
Trade and other receivables	14	357,810,654	642,498,613
Cash and cash equivalents	15	42,316,443	69,124,120
Total current assets		514,622,416	887,406,527
Total assets		818,849,065	1,148,550,353
Equity and liabilities			
Equity			
Share capital	16	210,000,000	76,046,875
Statutory reserve	17	35,005,488	20,178,886
Retained earnings		272,611,582	180,336,614
Total equity		517,617,070	276,562,375
Liabilities			
Non-current liabilities			
Long-term loans from shareholders	24	-	105,882,396
Lease liabilities	20	21,706,377	25,107,677
Deferred tax liability	23	8,003,312	738,776
Employee benefit obligations	21	16,630,028	12,033,140
Total non-current liabilities		46,339,717	143,761,989
Current liabilities			
Trade and other payables	22	109,569,256	191,828,710
Current portion of long-term borrowings	18	-	70,739,125
Current portion of long-term loans from shareholders	24	3,164,468	-
Current portion of lease liabilities	20	5,932,328	6,616,727
Short-term borrowings	19	130,408,779	436,427,715
Zakat and income tax payable	23	5,817,447	22,613,712
Total current liabilities		254,892,278	728,225,989
Total liabilities		301,231,995	871,987,978
Total equity and liabilities		818,849,065	1,148,550,353

These financial statements including accompanying notes were authorized for issue by the Company's Board of Directors on 27 May 2021 and signed on their behalf by:

Ali Al Khateeb
Chief Financial Officer

Idhah Zahrani
General Manager – Marketing & Sales

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY

(A Closed Joint Stock Company)

Statement of changes in equity

(All amounts in Saudi Riyals unless otherwise stated)

	Note	Welspun Mauritius Holdings Company Ltd.	Mohawareen Industrial Services	Aziz European Pipe Factory	Vision International Investment Company	Aziz Company for Contracting & Industrial Investment	Total
Share capital							
1 April 2019		38,031,042	3,794,739	34,221,094	-	-	76,046,875
Change in shareholders	16	-	-	(34,221,094)	12,547,734	21,673,360	-
31 March 2020		38,031,042	3,794,739	-	12,547,734	21,673,360	76,046,875
Transfer from retained earnings	16	3	-	-	1	1	5
Transfer from loans from shareholders	16	66,989,955	6,684,261	-	22,102,265	38,176,639	133,953,120
31 March 2021		105,021,000	10,479,000	-	34,650,000	59,850,000	210,000,000
Statutory reserve							
1 April 2019		-	-	-	-	-	-
Transfer from retained earnings		10,091,461	1,006,926	-	3,329,516	5,750,983	20,178,886
31 March 2020		10,091,461	1,006,926	-	3,329,516	5,750,983	20,178,886
Transfer from retained earnings	17	7,414,784	739,847	-	2,446,389	4,225,582	14,826,602
31 March 2021		17,506,245	1,746,773	-	5,775,905	9,976,565	35,005,488
Retained earnings (accumulated deficit)							
1 April 2019		(10,599,609)	(2,587,620)	(21,957,720)	-	-	(35,144,949)
Profit before zakat and income tax for the period from 1 April 2019 to 31 October 2019		49,436,395	4,932,766	44,483,858	-	-	98,853,019
Zakat and income tax expense for the period from 1 April 2019 to 31 October 2019	23	(9,887,279)	(139,274)	(1,255,975)	-	-	(11,282,528)
Other comprehensive income for the period from 1 April 2019 to 31 October 2019	21	-	-	-	-	-	-
31 October 2020		28,949,507	2,205,872	21,270,163	-	-	52,425,542

(continued)

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A Closed Joint Stock Company)
Statement of changes in equity (continued)
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Welspun Mauritius Holdings Company Ltd.	Mohawareen Industrial Services	Aziz European Pipe Factory	Vision International Investment Company	Aziz Company for Contracting & Industrial Investment	Total
Retained earnings (accumulated deficit) (continued)							
Change in shareholders	16	-	-	(21,270,163)	7,799,060	13,471,103	-
Profit before zakat and income tax for the period from 1 November 2019 to 31 March 2020		83,865,256	8,368,079	-	27,670,001	47,793,637	167,696,973
Other comprehensive loss for the period from 1 November 2019 to 31 March 2020	21	(636,812)	(63,541)	-	(210,107)	(362,910)	(1,273,370)
Zakat and income tax expense for the period from 1 November 2019 to 31 March 2020	23	(15,151,867)	(317,605)	-	(1,050,197)	(1,813,976)	(18,333,645)
Transfer to statutory reserve	17	(10,091,461)	(1,006,926)	-	(3,329,516)	(5,750,983)	(20,178,886)
31 March 2020		86,934,623	9,185,879	-	30,879,241	53,336,871	180,336,614
Profit before zakat and income tax		87,851,455	8,765,822	-	28,985,183	50,065,316	175,667,776
Other comprehensive loss for the year	21	(254,762)	(25,420)	-	(84,055)	(145,185)	(509,422)
Zakat and income tax expense	23	(21,805,561)	(558,612)	-	(1,847,113)	(3,190,467)	(27,401,753)
Merger adjustment	1	(21,126,195)	(1,949,399)	-	(6,515,627)	(11,063,805)	(40,655,026)
Transfer from retained earnings	16	(3)	-	-	(1)	(1)	(5)
Transfer from statutory reserve	17	(7,414,784)	(739,847)	-	(2,446,389)	(4,225,582)	(14,826,602)
31 March 2021		124,184,773	14,678,423	-	48,971,239	84,777,147	272,611,582
Total equity							
31 March 2021		246,712,018	26,904,196	-	89,397,144	154,603,712	517,617,070
31 March 2020		135,057,126	13,987,544	-	46,756,491	80,761,214	276,562,375

The accompanying notes are an integral part of these financial statements.

Ali Al Khateeb
Chief Financial Officer

Idhah Zahrani
General Manager – Marketing & Sales

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

		For the year ended 31 March	
	Note	2021	2020
Cash flows from operating activities			
Profit before zakat and income tax		175,667,776	266,549,992
Adjustments for:			
Depreciation	10, 11	38,518,539	33,593,894
Amortization	12	114,591	215,651
Gain from sale of property and equipment		-	(36,451)
Gain on early termination of lease liabilities		-	(116,619)
Provision for inventory obsolescence	13	648,785	3,731,391
Expected credit loss allowance	14	2,498,273	3,927,679
Financial costs	9	32,011,022	48,110,487
Provision for employee benefit obligations	21	1,459,983	1,631,150
Changes in operating assets and liabilities:			
Decrease in inventories		74,570,486	16,665,774
Decrease (increase) in trade and other receivables		306,303,155	(290,288,525)
Decrease in trade and other payables		(204,450,428)	(184,827,371)
Cash generated from (used in) operations		427,342,182	(100,842,948)
Financial costs paid		(27,070,312)	(46,850,691)
Employee benefit obligations paid	21	(1,344,271)	(470,880)
Zakat and income tax paid	23	(41,540,216)	(159,834)
Net cash inflow (outflow) from operating activities		357,387,383	(148,324,353)
Cash flows from investing activities			
Payments for purchases of property, plant and equipment	10	(1,453,303)	(2,919,489)
Payments for purchases of intangible assets	12	(6,005)	(10,000)
Proceeds from sale of property and equipment		-	36,451
Net cash outflow from investing activities		(1,459,308)	(2,893,038)
Cash flows from financing activities			
Changes in short-term borrowings		(305,840,944)	247,917,891
Repayments of long-term borrowings		(70,198,000)	(37,500,000)
Proceeds from loans from shareholders	24	7,365,578	-
Repayments of loans from shareholders	24	(7,365,578)	-
Repayments of lease liabilities		(6,723,522)	(6,313,800)
Net cash (outflow) inflow from financing activities		(382,762,466)	204,104,091
Net change in cash and cash equivalents		(26,834,391)	52,886,700
Cash transferred	1	26,714	-
Cash and cash equivalents at beginning of year		69,124,120	16,237,420
Cash and cash equivalents at end of year	15	42,316,443	69,124,120
Non-cash investing and financing activities:			
Transfer-in of net liabilities, net of cash	1	(40,628,312)	-
Increase in share capital against retained earnings	16	5	-
Increase in share capital against loans from shareholders	16.1	133,953,120	-
Right-of-use assets recorded against lease liabilities		-	38,583,984

The accompanying notes are an integral part of these financial statements.

Ali Al Khateeb
Chief Financial Officer

Idhah Zahrani
General Manager – Marketing & Sales

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

1 General information

East Pipes Integrated Company for Industry (formerly known as “Welspun Middle East Pipes Company”) (the “Company”) is engaged in manufacturing and sale of spiral steel pipes.

The Company was a limited liability company licensed under foreign investment license number 121031118992 issued by the Ministry of Investment on 22 Rajab 1431H (4 July 2010) operating under Commercial Registration (“CR”) number 2050071522 issued in Dammam on 22 Rajab 1431H (4 July 2010). The Company changed its legal name from “Welspun Middle East Pipes Company” to “East Pipes Integrated Company for Industry”. The legal formalities relating to such change of name were completed in January 2021 and the Company received its updated CR on 24 January 2021. The registered address of the Company is P.O. Box 12943, Dammam 31483, Kingdom of Saudi Arabia.

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 of 31 March 2020, the IPO was subject to various approvals including approval from the shareholders of the Company.

Further, as part of its IPO plan, during 2019, the BoD of the Company also recommended to merge the Company with Welspun Middle East Pipes Coating Company (“WMEPC”), a limited liability company registered in the Kingdom of Saudi Arabia owned by the Company’s shareholders in the same shareholding proportion (“common control”). Based on the BoD recommendation, the Company’s shareholders signed an agreement on 14 May 2020 (“Merger Agreement”), whereby it was agreed to merge WMEPC’s operations and all its assets, rights, liabilities and obligations with those of the Company at no purchase consideration. The merger was approved by the Ministry of Commerce on 21 July 2020 (“Effective date”). Subsequent to the Effective date, WMEPC was registered as a branch of the Company.

Since its a business combination between entities under common control, management has elected to apply predecessor accounting as its accounting policy. Under the terms of the Merger Agreement, the Company used the book values of WMEPC as of the Effective date for the purposes of applying predecessor accounting policy. The following is the break down of the net liabilities transferred to the Company at closing net book values as of 20 July 2020:

Assets

Cash and cash equivalents	26,714
Trade and other receivables	24,113,469
Inventories	13,930,796
Property, plant and equipment	77,788,091
Right-of-use assets	2,468,554
Total assets	118,327,624

Liabilities

Long-term loans from shareholders	(30,187,523)
Trade and other payables	(122,190,974)
Employee benefit obligations	(3,475,970)
Zakat and income tax payable	(490,358)
Lease liabilities	(2,637,825)
Total liabilities	(158,982,650)

Net liabilities transferred to retained earnings **(40,655,026)**

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 relating to such conversion were completed in September 2020 and the Company received the updated CR on 22 September 2020. Also see Note 16.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

1 General information (continued)

The accompanying financial statements includes the operations of the Company and its branch operating under CR number 2050071524 issued in Dammam on 22 Rajab 1431H (4 July 2010).

In response to the spread of the COVID-19 pandemic in the Gulf Cooperation Council and other territories where the Company operates and its consequential disruption to the social and economic activities in those markets, the Company's management has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures, including activation of the crisis management team and associated processes to:

- ensure the health and safety of its employees; and
- minimizing the impact of the pandemic on its operations and product supply to the market.

Notwithstanding these challenges, the Company was successful in maintaining stable operations while maneuvering limited demand interruptions to maintain product flow to the market. The Company's management believes that the COVID-19 pandemic, by itself, has had limited direct material effects on Company's reported results for the year ended 31 March 2021. The Company's management continues to monitor the situation closely.

2 Summary of significant accounting policies

The principal accounting policies applied for the preparation of financial statements of the Company are set out below. The accounting policies have been consistently applied to all the years presented.

2.1 Basis of preparation

2.1.1 Statement of compliance

These financial statements of the Company have been prepared in compliance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia ("IFRS"), and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

2.1.2 Historical cost convention

These financial statements are prepared under the historical cost convention except where IFRS requires other measurement basis as disclosed in the relevant accounting policies.

2.1.3 New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time:

- Definition of Material - amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- Definition of a Business - amendments to IFRS 3 'Business Combinations';
- Interest Rate Benchmark Reform - amendments to IFRS 9 'Financial instruments', IAS 39 'Financial instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures'; and
- Revised Conceptual Framework for Financial Reporting.

No material impact was identified upon adoption of the new and amended standards.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.1.4 Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for year ended 31 March 2021 and have not been early adopted by the Company. These standards are not expected to have a material impact in the current or future reporting periods and on foreseeable future transactions.

2.2 Revenue

The Company recognizes revenue based on a five-step model as set out in IFRS 15.

IFRS 15 requires that revenue is recognized from contracts with customers based on a five-step model as follows:

- Identification of contracts with customer;
- Identification of performance obligations in the contract;
- Determination of transaction price;
- Allocation of transaction price to performance obligations in the contract; and
- Recognition of revenue when the Company satisfies the performance obligation.

Revenue from sale of goods

Revenue is measured at the fair value of the consideration received or receivable net of returns and allowances, if any, for the sale of goods in the ordinary course of the Company's activities. The Company recognizes revenue when control of the goods has transferred, being when the products are delivered to the customer, the customer has full discretion over the use or sale of such goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been acknowledged by the customer through third party inspection documents and material release notes, the risks of obsolescence and loss have been transferred to the customer, the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered or acknowledged by the customer as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. In determining the transaction price for the sale of goods, the Company considers the effects the existence of significant financing components. The Company receives long-term advances from customers for the sale of goods. The transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Company and its customers at contract inception, to take into consideration the significant financing component.

Revenue from coating services

Revenue is measured at the fair value of the consideration received or receivable net of returns and allowances, if any, for the rendering of the services in the ordinary course of the Company's activities.

The Company provides coating services on pipes provided by the customers. Revenue from coating services is recorded over time using the output method as the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The customer receives and consumes the benefit over the services period and the Company has an enforceable right to invoice upon third party inspection. The services are billed to the customer upon acknowledgment by the customer through third party inspection.

The Company does not have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.3 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in "Saudi Riyals", which is the Company's presentation as well as functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies other than Saudi Riyals are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

2.4 Zakat and taxes

In accordance with the regulations of the Zakat, Tax and Customs Authority, the Company is subject to zakat attributable to Saudi shareholding and to income tax attributable to the foreign shareholding in the Company. Provisions for zakat and income tax are charged to profit or loss for the year. Additional amounts, if any, are accounted for when determined to be required for payment. Further, the amounts for zakat and income tax expense for the year are presented in the statement of changes in equity in accordance with the guidance issued by SOCPA for companies with mixed ownership in line with the terms of the agreement between the shareholders of the Company.

Income tax based on the applicable income tax rate is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred income tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the year and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Company withholds tax on certain transactions with non-resident parties in the Kingdom of Saudi Arabia, including dividends payment to the foreign shareholder, as required under the Saudi Arabian Income Tax Law.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is calculated on property, plant and equipment so as to allocate its cost, less estimated residual value, on a straight-line basis over the estimated useful lives of the assets. The depreciation expense is recognised in profit or loss in the expense category consistent with the function of the property, plant and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each year. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. Major spare parts qualify for recognition as property, plant and equipment when the Company expects to use them during more than one year. Transfers are made to relevant operating assets category as and when such items are available for use

Assets in the course of construction or development are capitalised in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of capital work-in-progress intended by management. Capital work-in-progress is not depreciated.

2.6 Leases

At the inception of the contract the Company assesses whether a contract is or contains a lease. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease liabilities

The lease liability is initially measured at the net present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.6 Leases (continued)

Lease liabilities (continued)

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the individual lessee, which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security.

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.6 Leases (continued)

Right-of-use assets (continued)

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 “Provisions, contingent liabilities and contingent assets”. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the Right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 “Impairment of Assets” to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the year in which the event or condition that triggers those payments occurs and are included in the profit or loss.

2.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be finite.

Intangible assets are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and carrying amount of the asset and are recognized in the profit or loss when the asset is derecognised.

2.8 Financial instruments

2.8.1 Financial assets

(a) Classification

The Company classifies its financial assets as measured at amortised cost. See Note 25 for details of each type of financial asset. The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.8 Financial instruments (continued)

2.8.1 Financial assets (continued)

(b) Recognition and derecognition

At initial recognition, the Company measure financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset. Transactions cost of financial assets carried at fair value through profit or loss are expensed in profit or loss.

The Company derecognizes a financial asset when the contractual cash flows from the asset expire or it transfers its rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

(c) Measurement

Subsequent measurement of financial assets depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. The Company classifies its financial assets as measured at amortised cost. Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest are measure at amortised cost. A gain or loss on a financial instrument that is subsequently measured at amortized cost and is not part of the hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is calculated using the effective interest rate method.

Currently, the Company does not hold any equity instruments, therefore the related accounting policies are not presented.

2.8.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss.

2.8.3 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and net amounts are reported in the financial statements, when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the assets and liabilities simultaneously.

2.9 Impairment of financial assets

The Company assesses on a forward looking basis the Expected Credit Loss ("ECL") associated with its financial assets carried at amortized cost. Refer Note 26, which details how the Company determines whether there has been a change in credit risk.

For trade receivables and other financial assets, the Company applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables. The amount of the loss is charged to profit or loss.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.9 Impairment of financial assets (continued)

The loss rates are based on probability of default based on historical trends relating to collections of Company's trade receivables. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables and contract assets are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant decrease in credit worthiness of the customer, the failure of the customer to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 720 days past due.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in profit or loss.

2.10 Impairment of non-financial assets excluding inventories

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash-Generating Unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

2.11 Inventories

Raw materials, spare parts and supplies, work-in-progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Allowance for inventory obsolescence is made considering various factors including age of the inventory items, historic usage and expected utilization in future.

2.12 Trade receivables

Trade receivables are amounts due from customers for products sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less allowance for ECL.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.13 Cash and cash equivalents

For the purpose of statement of financial position and presentation in the statement of cash flows, cash and cash equivalents include cash in hand, cash at banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Share capital

Ordinary shares are classified as equity.

2.15 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.16 Borrowings

Borrowings are initially recognised at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, long-term borrowings are measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as "other operating (expense) income - net" or "financial costs".

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the year end.

2.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the year in which they are incurred in profit or loss.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.18 Employee benefit obligations

The Company operates a single employment benefit scheme of defined benefit plan driven by the Labor Law of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plan is not funded. Accordingly, valuations of the obligations under the plan are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income and transferred to retained earnings in the statement of changes in equity in the year in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the Labor Law of the Kingdom of Saudi Arabia.

2.19 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components and which are reviewed regularly by the Company's Chief Operating Decision Maker (the "CODM").

The BoD of the Company assesses the financial performance and position of the Company, and makes strategic decisions. The BoD has been identified as being the CODM.

The financial statements are prepared on the basis of a single reporting segment consistent with the information reviewed by the CODM of the Company.

The business activities of the Company are concentrated in the Kingdom of Saudi Arabia. All operating assets of the Company are located in the Kingdom of Saudi Arabia.

2.20 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. However, as explained in Note 1, Management, through the crisis management team, has proactively assessed the potential of the COVID-19 pandemic for any further regulatory and government restrictions both locally and in the market in which the Company operates that could adversely affect our supply chain and our production capabilities, demand of our products, as well as our sales distribution network that could cause a negative impact on our financial performance. Management has concluded that our critical accounting judgements, estimates and assumptions remain appropriate under the current circumstances.

The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months are discussed below:

Useful lives of property, plant and equipment

The Company's management determines the estimated useful lives of property, plant and equipment for computing depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Residual value and useful lives are reviewed annually and future depreciation charges are adjusted where the useful lives differ from previous estimates. See Note 9 for the estimated useful lives of the property, plant and equipment. At 31 March 2021, if the useful lives varied by 10% against the current useful lives with all other variables held constant, the impact on profit for the year would have been Saudi Riyals 3.4 million.

Right-of-use assets and lease liabilities

Extension and termination options are included in a number of leases of the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Extension options (or periods after termination options) are included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of parcels of land and buildings, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate);
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate); and
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

4 Revenue

	2021	2020
At a point in time		
- Revenue from sale of goods	888,587,534	1,668,863,844
Overtime		
- Revenue from rendering of services	46,918,800	-
	935,506,334	1,668,863,844

Revenue of approximately Saudi Riyals 813.2 million for the year ended 31 March 2021 is derived from one external customer (for the year ended 31 March 2020: Saudi Riyals 1.6 billion derived from one external customer).

5 Cost of revenue

	Note	2021	2020
Cost of materials		608,242,192	1,206,407,345
Salaries and benefits		42,772,231	48,006,831
Depreciation	10, 11	38,171,875	33,288,915
Packing material		1,651,267	3,512,023
Provision for inventory obsolescence	13	648,785	3,731,391
Amortization	12	91,673	172,521
Sub-contractors costs		-	20,431,303
Other		13,731,347	16,961,258
		705,309,370	1,332,511,587

6 General and administrative expenses

	Note	2021	2020
Salaries and benefits		7,864,072	9,150,288
Professional Fee		1,792,313	776,399
Utilities		1,013,136	504,917
Depreciation	10	249,997	221,976
Repair		263,102	295,462
Travel		110,995	104,302
Rent		72,162	269,949
Amortisation	12	22,918	43,130
Other		1,468,607	1,339,518
		12,857,302	12,705,941

7 Selling and marketing expenses

	Note	2021	2020
Rent		3,801,912	4,999,526
Salaries and benefits		1,258,955	1,645,885
Depreciation	10	96,667	83,003
Other		389,269	928,786
		5,546,803	7,657,200

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

8 Other operating (expense) income - net

	2021	2020
Foreign exchange (loss) gain	(1,626,608)	2,508,341
Other	10,820	90,701
	(1,615,788)	2,599,042

9 Financial costs

	Note	2021	2020
Financial costs on short-term borrowings	19	15,598,508	25,821,712
Letter of credit facilities charges		9,037,006	10,352,430
Financial costs on loans from shareholders	24	5,237,783	5,574,055
Financial costs on lease liabilities	20	1,210,083	1,482,128
Accretion of employee benefit obligations	21	495,784	381,750
Financial costs on long-term borrowings	18	431,858	2,330,924
Unwinding of Saudi Industrial Development Fund ("SIDF") commitment fees	18	-	440,770
Other		-	1,726,718
		32,011,022	48,110,487

10 Property, plant and equipment

	1 April 2020	Additions	Disposal / Transfer	Transfer (Note 1)	31 March 2021
<u>2021</u>					
Cost					
Buildings and leasehold improvements	46,327,776	-	2,585,021	24,290,605	73,203,402
Plant and machinery	424,166,247	3,543	2,534,885	128,242,815	554,947,490
Furniture, fixtures and office equipment	3,205,691	61,106	48,592	559,139	3,874,528
Vehicles	1,348,386	-	-	-	1,348,386
Capital work-in-progress	3,029,400	1,388,654	(5,168,498)	750,444	-
	478,077,500	1,453,303	-	153,843,003	633,373,806
Accumulated depreciation					
Buildings and leasehold improvements	(21,933,260)	(3,464,723)	-	(11,144,082)	(36,542,065)
Plant and machinery	(222,316,293)	(27,886,880)	-	(64,375,627)	(314,578,800)
Furniture, fixtures and office equipment	(2,883,551)	(176,263)	-	(535,203)	(3,595,017)
Vehicles	(1,211,760)	(65,644)	-	-	(1,277,404)
	(248,344,864)	(31,593,510)	-	(76,054,912)	(355,993,286)
Net book value	229,732,636				277,380,520

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

10 Property, plant and equipment (continued)

	1 April 2019	Additions	Disposals / Transfer	31 March 2020
2020				
Cost				
Buildings and leasehold improvements	46,327,776	-	-	46,327,776
Plant and machinery	424,030,406	135,841	-	424,166,247
Furniture, fixtures and office equipment	2,977,032	228,659	-	3,205,691
Vehicles	1,504,922	90,464	(247,000)	1,348,386
Capital work-in-progress	564,875	2,464,525	-	3,029,400
	<u>475,405,011</u>	<u>2,919,489</u>	<u>(247,000)</u>	<u>478,077,500</u>
Accumulated depreciation				
Buildings and leasehold improvements	(19,365,185)	(2,568,075)	-	(21,933,260)
Plant and machinery	(198,411,388)	(23,904,905)	-	(222,316,293)
Furniture, fixtures and office equipment	(2,727,915)	(155,636)	-	(2,883,551)
Vehicles	(1,363,264)	(95,496)	247,000	(1,211,760)
	<u>(221,867,752)</u>	<u>(26,724,112)</u>	<u>247,000</u>	<u>(248,344,864)</u>
Net book value	<u>253,537,259</u>			<u>229,732,636</u>

Depreciation is calculated on straight-line basis over the following estimated useful lives of the assets:

	Number of years
• Buildings and leasehold improvements	10 - 20
• Plant and machinery	2 - 20
• Furniture, fixtures and office equipment	2 - 5
• Vehicles	3 - 5

11 Right-of-use assets

	Land	Building	Total
Cost			
At 1 April 2020	35,642,206	2,413,580	38,055,786
Transfer	2,777,123	-	2,777,123
At 31 March 2021	<u>38,419,329</u>	<u>2,413,580</u>	<u>40,832,909</u>
Accumulated depreciation			
At 1 April 2020	(6,167,350)	(603,395)	(6,770,745)
Transfer	(308,569)	-	(308,569)
Depreciation	(6,032,351)	(892,678)	(6,925,029)
At 31 March 2021	<u>(12,508,270)</u>	<u>(1,496,073)</u>	<u>(14,004,343)</u>
Net book value			
At 31 March 2021	<u>25,911,059</u>	<u>917,507</u>	<u>26,828,566</u>

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

11 Right-of-use assets (continued)

	Land	Building	Total
Cost			
IFRS 16 adjustment:			
Initial recognition of right-of-use assets upon adoption of IFRS 16 at 1 April 2019	35,642,206	2,941,778	38,583,984
Terminations during the year	-	(528,198)	(528,198)
At 31 March 2020	<u>35,642,206</u>	<u>2,413,580</u>	<u>38,055,786</u>
Accumulated depreciation			
At 1 April 2019	-	-	-
Terminations during the year	-	99,037	99,037
Depreciation	(6,167,350)	(702,432)	(6,869,782)
At 31 March 2020	<u>(6,167,350)</u>	<u>(603,395)</u>	<u>(6,770,745)</u>
Net book value			
At 31 March 2020	<u>29,474,856</u>	<u>1,810,185</u>	<u>31,285,041</u>

The Company has leases in respect of various parcels of land and building. Rental contracts are typically made for fixed periods of 3 to 16 years and considered an extension option where the Company's management is reasonably certain to exercise.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets are not be used as security for borrowing purposes

For the year ended 31 March 2021 and 2020, the Company does not have any short-term or low value lease.

For the year ended 31 March 2021, the total cash outflow for leases was Saudi Riyals 7.9 million (31 March 2020: Saudi Riyals 7.8 million).

12 Intangible assets

	31 March 2021	31 March 2020
Cost		
At 1 April	2,125,397	2,115,397
Additions	6,005	10,000
At 31 March	<u>2,131,402</u>	<u>2,125,397</u>
Accumulated amortization		
At 1 April	(1,999,248)	(1,783,597)
Amortization for the year	(114,591)	(215,651)
At 31 March	<u>(2,113,839)</u>	<u>(1,999,248)</u>
Net book value	<u>17,563</u>	<u>126,149</u>

Intangible assets represent software and is amortized on a straight-line basis over their estimated useful life which is 3 years.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

13 Inventories

	31 March 2021	31 March 2020
Raw materials	32,160,026	81,127,481
Work-in-progress	1,058,575	3,730,327
Finished products	55,732,268	54,390,617
Spare parts and supplies, held not for sale	33,163,684	15,151,509
Goods-in-transit	-	27,182,959
	122,114,553	181,582,893
Less: provision for inventory obsolescence	(7,619,234)	(5,799,099)
	114,495,319	175,783,794

Movement in provision for inventory obsolescence is as follows:

	2021	2020
At 1 April	5,799,099	2,067,708
Transfer (Note 1)	1,171,350	-
Addition	648,785	3,731,391
At 31 March	7,619,234	5,799,099

14 Trade and other receivables

	Note	31 March 2021	31 March 2020
Trade receivable		323,926,639	548,759,150
Less: ECL allowance		(6,669,203)	(3,927,679)
		317,257,436	544,831,471
Advances to suppliers		18,935,429	4,953,177
Related parties	24	6,195,405	89,828,620
Contract assets		4,382,058	-
Advance income tax	23	4,116,376	-
Prepaid expenses		2,746,113	2,408,751
Value added tax refundable		403,355	-
Other		3,774,482	476,594
		357,810,654	642,498,613

(a) Movement in ECL allowance is as follows:

	2021	2020
At 1 April	3,927,679	-
Transfer (Note 1)	243,251	-
ECL allowance	2,498,273	3,927,679
At 31 March	6,669,203	3,927,679

	2021	2020
General ECL allowance	5,669,203	2,927,679
Specific ECL allowance	1,000,000	1,000,000
	6,669,203	3,927,679

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

14 Trade and other receivables (continued)

(b) The Company applies the simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other financial assets. To measure the ECL allowance, trade receivables have been computed based on shared credit risk characteristics and the days past due.

(c) The ageing analysis of the trade receivables and the expected loss rates are as follows:

	Days past due				Total
	Current up to 90 days	91 - 180 days past due	181 - 365 days past due	More than 730 days	
31 March 2021					
Expected loss rate	0.01% - 0.18%	0.02% - 1.35%	7.66%	100%	
Gross carrying amount - trade receivable	129,803,104	188,198,331	5,795,810	129,394	323,926,639
ECL allowance	193,164	4,902,686	443,959	129,394	5,669,203

	Days past due				Total
	Current up to 90 days	91 - 180 days past due	181 - 365 days past due	More than 730 days	
31 March 2020					
Expected loss rate	0.01% - 0.16%	0.02% - 0.25%	0.12% - 0.63%	100%	
Gross carrying amount - trade receivable	347,406,437	111,886,688	89,140,515	325,510	548,759,150
ECL allowance	711,810	702,903	1,187,456	325,510	2,927,679

The expected loss rates are based on the payment profiles of sales over a period of 48 months before 31 March 2021 and 31 March 2020 respectively, and the corresponding historical credit losses experienced within this year. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and inflation rate of the country in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

(d) Contract assets are initially recognised for revenue earned from providing of service and is conditional on successful completion of work. Upon completion of services, the amounts recognised as contract assets are reclassified to trade receivables.

As at 31 March 2021, aggregate amount of the transaction price that are partially or fully unsatisfied is Saudi Riyals 0.2 million (31 March 2020: Nil). Management expects that 100% of the transaction price allocated to the unsatisfied contracts as at 31 March 2021 will be recognised as revenue during the year ending 31 March 2022.

The Company applies simplified approach for measuring ECL which uses a lifetime expected loss allowance for contract assets. As at 31 March 2021, the ECL allowance on contract assets was immaterial.

(e) The carrying amounts of the Company's trade and other receivables are denominated in Saudi Riyals.

(f) The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to the credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

(g) The Company does not hold any collateral as security.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

15 Cash and cash equivalents

	31 March	31 March
	2021	2020
Cash in hand	12,243	33,393
Cash at bank	42,304,200	69,090,727
	42,316,443	69,124,120

16 Share capital

The share capital of the Company as of 31 March 2021 comprised of 21,000,000 shares stated at Saudi Riyals 10 per share (31 March 2020: 76,046,875 shares stated at Saudi Riyals 1 per share) owned as follows:

Shareholder	Country of incorporation	Shareholding percentage	
		2021	2020
Welspun Mauritius Holdings Company Ltd.	Mauritius	50.01	50.01
Aziz Company for Contracting & Industrial Investment	Saudi Arabia	28.50	28.50
Vision International Investment Company	Saudi Arabia	16.50	16.50
Mohawareen Industrial Services	Saudi Arabia	4.99	4.99
		100.00	100.00

During the year ended 31 March 2021, the BoD of the Company recommended to increase the Company's share capital by Saudi Riyals 5 as part of the conversion of the Company from a limited liability company to a closed joint stock company. Based on the BoD recommendation, the Company's shareholders resolved in their extraordinary general assembly meeting held on 21 September 2020 to increase the share capital by Saudi Riyals 5. The legal formalities relating to such increase in share capital were completed during the year ended 31 March 2021.

In addition, as part of the conversion of the Company to a closed joint stock company, the total number of shares increased from 76,046,875 to 76,048,880 stated at Saudi Riyals 1 per share and were converted into 7,604,688 shares stated at Saudi Riyals 10 per share.

On 28 December 2020, the shareholders in their extraordinary general assembly meeting resolved to convert the loans from shareholders amounting to Saudi Riyals 134.0 million to the share capital. The legal formalities relating to amendment of CR were completed during the year ended 31 March 2021. Also see Notes 24 and 28.

17 Statutory reserve

In accordance with the Company's by-laws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the profit for the year to a statutory reserve, after adjusting accumulated losses, until such reserve equals at least 30% of its share capital. This reserve currently is not available for distribution to the shareholders of the Company.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

18 Long-term borrowings

	Note	31 March 2021	31 March 2020
SIDF	18.1	-	32,698,000
Commercial bank loan	18.2	-	37,500,000
		-	70,198,000
Add: accrued financial costs		-	541,125
		-	70,739,125
Long-term borrowings are presented as follows:			
Current portion under current liabilities		-	-
Long-term portion under non-current liabilities		-	70,739,125
		-	70,739,125

18.1 SIDF loan

This represented loan obtained by the Company from SIDF of Saudi Riyals 125.2 million to finance the construction of the Company's plant facilities. The loan was denominated in Saudi Riyals. Up-front and annual administrative fees were charged by SIDF under the loan arrangement. During the year ended 31 March 2021, the Company has fully repaid the borrowing from SIDF.

18.2 Commercial bank loan

During 2016, the Company obtained a loan facility from a local commercial bank. The loan was denominated in Saudi Riyals and bore financial charges based on prevailing market rates which was based on Saudi Inter-Bank Offer Rates ("SIBOR"). During the year ended 31 March 2021, the Company has fully repaid the borrowing from a commercial bank.

19 Short-term borrowings

	31 March 2021	31 March 2020
Short-term borrowings	129,200,872	435,041,816
Accrued financial costs	1,207,907	1,385,899
	130,408,779	436,427,715

These represent short-term bank borrowings obtained from various local commercial banks and bear financial charges at prevailing market rates which are based on SIBOR. These facilities are secured against corporate guarantees from shareholders of the Company. The carrying value of the short-term borrowings are denominated in Saudi Riyals.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

20 Lease liabilities

The Company has entered into certain agreements which entitled the Company to right-of-use asset and obligations relating to parcels of land and building.

	31 March 2021	31 March 2020
Future minimum lease payments	47,532,936	43,932,936
Less: repayment of minimum lease payments	(16,029,535)	(7,795,928)
	31,503,401	36,137,008
Less: future financial costs not yet due	(3,864,696)	(4,412,604)
Net present value of minimum lease payment	27,638,705	31,724,404
Less: current portion presented under current liabilities	(5,932,328)	(6,616,727)
Non-current portion of lease liabilities	21,706,377	25,107,677

Movement in lease liabilities is as follows:

	2021	2020
At 1 April	31,724,404	-
Initial recognition of lease liabilities upon adoption of IFRS 16	-	38,583,984
Transfer (Note 1)	2,637,825	-
Accretion of financial costs during the year	1,210,083	1,482,128
Lease terminated during the year	-	(545,780)
Payments made during the year	(7,933,607)	(7,795,928)
At 31 March	27,638,705	31,724,404

21 Employee benefit obligations

21.1 General description of the plan

The Company operates a defined benefit plan in line with the Labor Law requirements in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labor Law of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment. An independent actuary carried out latest valuation of employee benefit obligations under the projected unit credit method as at 31 March 2021.

	Note	2021	2020
At 1 April		12,033,140	9,217,750
Transfer	1	3,475,970	-
Current service cost		1,459,983	1,631,150
Interest expense		495,784	381,750
Payments		(1,344,271)	(470,880)
Remeasurements		509,422	1,273,370
At 31 March		16,630,028	12,033,140

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

21 Employee benefit obligations (continued)

21.2 Amounts recognised in the statement of profit or loss and other comprehensive income

The amounts recognised in the statement of profit or loss and other comprehensive income related to employee benefit obligations are as follows:

	2021	2020
Current service cost	1,459,983	1,631,150
Interest expense	495,784	381,750
Total amount recognised in profit or loss	1,955,767	2,012,900
<u>Remeasurements</u>		
(Gain) loss from change in financial assumptions	(214,183)	1,123,150
Experience losses	723,605	150,220
Total amount recognised in other comprehensive income	509,422	1,273,370

21.3 Key actuarial assumptions

	2021	2020
Discount rate	3.60%	3.50%
Salary growth rate	3.00%	3.00%

21.4 Sensitivity analysis for actuarial assumptions

	<u>Change in assumption</u>		<u>Impact on employee benefit obligations</u>	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	1.00%	(1,946,929)	2,325,657
Salary growth rate	1.00%	1.00%	2,315,878	(1,974,858)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the employee benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

21.5 Expected maturity analysis

The weighted average duration of the defined benefit obligation of the Company is 13 years. The expected maturity analysis of undiscounted post-employment benefits is as follows:

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
31 March 2021	605,778	458,442	2,410,698	87,986,012	91,460,930

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)

Notes to the financial statements for the year ended 31 March 2021

(All amounts in Saudi Riyals unless otherwise stated)

22 Trade and other payables

	Note	31 March 2021	31 March 2020
Trade payables		76,529,397	108,298,712
Advances from customers		17,324,513	38,739,558
Accrued expenses		8,284,236	13,920,611
Salaries and benefits		7,026,472	7,909,358
Related parties	24	401,501	-
Value added tax payable		-	22,960,471
Other		3,137	-
		109,569,256	191,828,710

23 Zakat and income tax matters

23.1 Components of approximate zakat base attributable to Saudi shareholders

	2021	2020
Equity at beginning of year	138,253,531	13,470,493
Increase in share capital	66,963,167	-
Provisions at beginning of year	10,205,782	5,406,208
Borrowings, as adjusted	66,492,060	147,025,986
Lease liabilities	13,816,589	15,859,030
Property, plant and equipment, as adjusted	(138,671,302)	(114,906,407)
Right-of-use assets, as adjusted	(13,315,191)	(15,639,392)
Other	(16,578,526)	(7,574,239)
Zakat base excluding adjusted profit for the year	127,166,110	43,641,679
Adjusted profit for the year	90,448,151	138,083,359
Approximate zakat base	217,614,261	181,725,038

Zakat is payable at 2.578% of the zakat base, excluding adjusted profit for the year, attributable to the Saudi shareholder. Zakat on adjusted profit for the year is payable at 2.5%.

23.2 Income tax expense

	2021	2020
Current tax	14,541,025	21,364,745
Deferred tax charge	7,264,536	3,674,401
	21,805,561	25,039,146

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

23 Zakat and income tax matters (continued)

23.3 Zakat and income tax payable

	Zakat	Income tax	Total
At 1 April 2020	4,627,405	17,986,307	22,613,712
Transfer (Note 1)	236,616	253,742	490,358
Provisions for the year	5,596,192	14,541,025	20,137,217
Payment	(4,642,766)	(20,868,437)	(25,511,203)
Advance tax paid during the year	-	(16,029,013)	(16,029,013)
At 31 March 2021	5,817,447	(4,116,376)	1,701,071
At 1 April 2019	50,378	(3,218,604)	(3,168,226)
Provisions for the year	4,577,027	21,364,745	25,941,772
Advance tax paid during the year	-	(159,834)	(159,834)
At 31 March 2020	4,627,405	17,986,307	22,613,712

Advance income tax amounting to Saudi Riyals 4.1 million is included in trade and other receivables.

23.4 Numerical reconciliation of income tax expense to prima facie tax payable

	2021	2020
Profit before zakat and income tax	175,667,776	266,549,992
Income tax rate applicable to the Company	20%	20%
Effective shareholding subject to income tax	50.01%	50.01%
Income tax on effective shareholding	17,570,291	26,660,330
Reconciliation:		
Tax effect of unrecognized deferred tax assets	4,655,138	-
Tax effect of disallowed expenses	(419,868)	(1,621,184)
	21,805,561	25,039,146

23.5 Temporary differences

	2021	2020
Profit before zakat and income tax	175,667,776	266,549,992
Temporary differences:		
- Employee benefit obligations	2,627,487	2,012,900
- ECL allowance	2,498,274	3,927,679
- Provision for inventory obsolescence	648,785	3,731,391
- Other	(509,834)	-
Adjusted net income for the year for zakat purpose	180,932,488	276,221,962

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

23 Zakat and income tax matters (continued)

23.6 Status of certificates and final assessments

The Company has obtained final zakat and income tax assessments from Zakat, Tax and Customs Authority for the years through 2010. The assessments for the years from 2011 through 2020 are currently under review by Zakat, Tax and Customs Authority. The Company has obtained zakat and income tax certificates for the years through 2020.

Subsequent to the reporting date, the Company received zakat and tax assessment for the year 2016 with additional liability of Saudi Riyals 4.6 million. The Company is currently in the process of submitting its objections over the assessment with Zakat, Tax and Customs Authority. Management of the Company believes that no liability will arise upon the ultimate resolution of such assessment. Accordingly, no adjustment has been made in 2021 financial statements.

23.7 Deferred tax liability

The balance comprises temporary differences attributable to:

	31 March 2021	31 March 2020
Carry forward losses	(34,400,639)	(58,167,969)
Employee benefit obligations	(8,316,679)	(6,017,775)
Provision for inventory obsolescence	(3,810,379)	(2,900,129)
Property, plant and equipment	90,275,888	69,591,599
Other	(3,731,635)	1,188,155
Taxable temporary differences - net	40,016,556	3,693,881
Deferred tax liability	8,003,312	738,776

23.8 Deferred tax liability movement

Movement in deferred taxes is attributable to:

	Carry forward losses	Employee benefit obligations	Provision for inventory obsolescence	Property, plant and equipment	Other	Total
At 1 April 2020	(11,633,594)	(1,203,555)	(580,026)	13,918,320	237,631	738,776
Charged (credited) to: Statement of profit or loss and other comprehensive income	4,753,466	(459,780)	(182,050)	4,136,858	(983,958)	7,264,536
At 31 March 2021	(6,880,128)	(1,663,335)	(762,076)	18,055,178	(746,327)	8,003,312
	Carry forward losses	Employee benefit obligations	Provision for inventory obsolescence	Property, plant and equipment	Other	Total
At 1 April 2019	(18,468,282)	(921,959)	(206,812)	16,661,428	-	(2,935,625)
Charged (credited) to: Statement of profit or loss and other comprehensive income	6,834,688	(281,596)	(373,214)	(2,743,108)	237,631	3,674,401
At 31 March 2020	(11,633,594)	(1,203,555)	(580,026)	13,918,320	237,631	738,776

Upon merger, the unused tax losses of WMEPC amounting to Saudi Riyals 50.5 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.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

24 Related party transactions and balances

Related parties comprise the shareholders, directors, associated companies and key management personnel. Related parties also include business entities in which shareholders have an interest (“other related parties”).

The shareholders' agreement requires qualified majority voting for all key decisions. Accordingly, the Company is jointly-controlled by the major shareholders i.e. Welspun Mauritius Holdings Company Limited (50.01%), Aziz Company for Contracting & Industrial Investment (28.5%) and Vision International Investment Company (16.5%). Welspun Mauritius Holdings Company Limited is ultimately controlled by Welspun Corp Limited.

(a) Following are the significant transactions entered into by the Company:

Nature of transactions and relationship	2021	2020
Purchases and other related services from the associated companies	25,288,897	20,433,477
Corporate guarantee charges to Company	6,847,944	-
IPO expenses charged to shareholders	5,930,032	-
Financial charges charged by the shareholders	5,237,783	5,574,055
Purchases and other related services from a shareholder	742,009	3,264,329
Sales to an associated company	-	2,918,956
Cost charged by the shareholders	-	3,412,978
Cost charged to associated companies	-	1,434,581

(b) Key management personnel compensation:

	2021	2020
Salaries and other short-term employee benefits	3,049,096	3,193,250
Post-employment benefits	109,224	162,577
	3,158,320	3,355,827

(c) Loans from shareholders

	31 March 2021	31 March 2020
Welspun Mauritius Holdings Company Ltd.	482,827	52,816,198
Aziz Company for Contracting & Industrial Investment	275,148	35,289,022
Vision International Investment Company	159,288	17,777,176
Mohawareen Industrial Services	48,176	-
Total principal element of loans from shareholders	965,439	105,882,396
Accrued financial costs	2,199,029	-
	3,164,468	105,882,396

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

24 Related party transactions and balances (continued)

(c) Loans from shareholders (continued)

Movement in principal element of loans from shareholders is as follows:

	31 March 2021	31 March 2020
At 1 April	105,882,396	105,882,396
Transfer from WMEPC (Note 1)		
Welspun Mauritius Holdings Company Limited	14,023,443	-
Aziz Company for Contracting & Industrial Investment	6,755,724	-
Vision International Investment Company	8,256,996	-
	29,036,163	-
Additions:		
Mohawareen Industrial Services	6,732,437	-
Welspun Mauritius Holdings Company Limited	633,141	-
	7,365,578	-
Repayments:		
Vision International Investment Company	(3,772,619)	-
Aziz Company for Contracting & Industrial Investment	(3,592,959)	-
	(7,365,578)	-
	134,918,559	105,882,396
Transfer to share capital:		
Welspun Mauritius Holdings Company Limited	(66,989,955)	-
Aziz Company for Contracting & Industrial Investment	(38,176,639)	-
Vision International Investment Company	(22,102,265)	-
Mohawareen Industrial Services	(6,684,261)	-
	(133,953,120)	-
At 31 March	965,439	105,882,396

These represent loans obtained from shareholders which carry financial charges at prevailing market rates. These loans are due for repayment within twelve months from the reporting date. The shareholders in their extraordinary general meeting resolved to transfer the principal element of loans amounting to Saudi Riyals 134.0 million from 'loans from shareholders' to 'share capital'.

(d) Outstanding balances arising from sales / purchases of goods and services

(i) Due from related parties

	31 March 2021	31 March 2020
Welspun Mauritius Holdings Company Limited	2,965,609	-
Aziz Company for Contracting & Industrial Investment	1,791,178	-
Vision International Investment Company	978,456	-
Mohawareen Industrial Services	295,909	-
Welspun Corp Limited	110,779	3,370
Aziz European Pipe Factory	53,474	-
WMEPC	-	89,825,250
	6,195,405	89,828,620

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

24 Related party transactions and balances (continued)

(d) Outstanding balances arising from sales / purchases of goods and services (continued)

(ii) *Due to related parties*

	31 March 2021	31 March 2020
Mohawareen Industrial Services	231,880	-
Vision International Investment Company	137,804	-
Arabian Pipes Project Co.	31,817	-
	401,501	-

25 Financial risk management

25.1 Financial risk factors

The Company's activities expose it to a variety of financial risks including the effects of changes in market risk (including currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by the BoD.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The BoD has overall responsibility for the establishment and oversight of the Company's risk management framework and is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's BoD oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

(a) *Market risk*

(i) *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are primarily in Saudi Riyals and United States dollars. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. Exchange differences are mainly from the Company's transactions in United States dollars. The Company manages the currency risk through regular monitoring of the currency markets to determine appropriate action to minimise the foreign exchange risk exposure.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

25 Financial risk management (continued)

25.1 Financial risk factors (continued)

(a) *Market risk* (continued)

(ii) Fair value and cash flow interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company borrows at interest rates on commercial terms.

Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. At 31 March 2021 and 31 March 2020, the Company's borrowings were denominated in Saudi Riyals.

The long-term borrowings from commercial banks carry variable rates of interest. The Company analyses its interest rate exposure on a regular basis and reassesses the source of borrowings and renegotiates interest rates at terms favourable to the Company. At 31 March 2021, there is no outstanding long-term borrowings from commercial banks (31 March 2020: Saudi Riyals 0.4 million).

The loans from shareholders carry variable rates of interest. The Company analyses its interest rate exposure on a regular basis and reassesses the source of borrowings and renegotiates interest rates at terms favourable to the Company. At 31 March 2021, if the interest rate were to shift by 1%, there would be a maximum increase or decrease in the financial costs by Saudi Riyals 0.1 million (31 March 2020: Saudi Riyals 1.1 million).

The short-term borrowing interest rates with banks are subject to change upon re-negotiation of the facilities which takes place on at frequent intervals. At 31 March 2021, if the interest rate were to shift by 1%, there would be a maximum increase or decrease in the interest expense by Saudi Riyals 1.6 million (31 March 2020: Saudi Riyals 3.0 million).

(iii) Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company's financial assets and liabilities are not exposed to price risk.

(b) *Credit risk*

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk in respect of:

- Payment of trade receivables; and
- Contractual cash flows related to other financial assets carried at amortised costs.

Trade receivables:

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. At 31 March 2021, 98% of trade receivable balance was due from two customers (31 March 2020: 97% of trade receivables were due from a customer). Management believes that this concentration of credit risk is mitigated as such receivable is from a quasi-government customer having an established track record of timely payments.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

25 Financial risk management (continued)

25.1 Financial risk factors (continued)

(b) Credit risk (continued)

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivable. The Company has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of receivables.

The Company establishes ECL allowance that represents its estimate of potential losses in respect of trade and other receivables. The main components of this loss are a specific loss component that relates to individual exposures and a collective loss component established for similar assets in respect of any potential losses that may have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry in which customers operate, has less of an influence on credit risk.

Credit risk on related parties is considered minimal as management monitors and reconciles amounts due from related parties on a regular basis and recoverability is not considered to be doubtful. Management does not expect any losses from non-performance by such related parties. At 31 March 2021 and 31 March 2020, the ECL allowance on related party receivables was immaterial.

Other financial assets carried at amortised costs:

Other financial assets at amortised cost include other receivables. The contract assets and other financial assets are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Management consider 'low credit risk' for other receivables and contract assets. At 31 March 2021 and 31 March 2020, the ECL allowance on other financial assets were immaterial.

Cash at bank:

For banks, parties generally with a minimum rating of P-2 are accepted. The stated rating is as per the global bank ratings by Moody's Investors Service. Management does not expect any losses from non-performance by these counterparties.

(c) Liquidity risk

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Company has access to credit facilities.

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal ratio targets.

The table below analyses the Company's financial liabilities into the relevant maturity grouping based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

25 Financial risk management (continued)

25.1 Financial risk factors (continued)

(c) *Liquidity risk* (continued)

	Less than one year	1 to 2 years	2 to 5 years	Over 5 years	Total
2021					
Bank borrowings	131,512,160	-	-	-	131,512,160
Lease liabilities	6,362,320	8,095,929	9,100,464	7,944,688	31,503,401
Long-term loans from shareholders	4,197,340	-	-	-	4,197,340
Trade and other payables	92,241,606	-	-	-	92,241,606
	<u>234,313,426</u>	<u>8,095,929</u>	<u>9,100,464</u>	<u>7,944,688</u>	259,454,507
	Less than one year	1 to 2 years	2 to 5 years	Over 5 years	Total
2020					
Bank borrowings	523,062,017	-	-	-	523,062,017
Lease liabilities	8,670,927	6,920,928	14,400,464	6,144,689	36,137,008
Long-term loans from shareholders	5,574,055	105,882,396	-	-	111,456,451
Trade and other payables	130,128,681	-	-	-	130,128,681
	<u>667,435,680</u>	<u>112,803,324</u>	<u>14,400,464</u>	<u>6,144,689</u>	800,784,157

25.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the statement of financial position, less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratios at 31 March were as follows:

	2021	2020
Total borrowings including lease liabilities	161,211,952	644,773,640
Less: cash and cash equivalents	(42,316,443)	(69,124,120)
Net debt	118,895,509	575,649,520
Total equity	517,617,070	276,562,375
Total capital	636,512,579	852,211,895
Gearing ratio	19%	68%

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
 (All amounts in Saudi Riyals unless otherwise stated)

25 Financial risk management (continued)

25.3 Net debt reconciliation

The net debt of the Company is as follows:

	2021	2020
Cash and cash equivalents	42,316,443	69,124,120
Long-term loans from shareholders	(3,164,468)	(105,882,396)
Short-term borrowings	(130,408,779)	(436,427,715)
Lease liabilities	(27,638,705)	(31,724,404)
Long-term borrowings	-	(70,739,125)
Net debt	<u>(118,895,509)</u>	<u>(575,649,520)</u>

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY

(A closed joint stock company)

Notes to the financial statements for the year ended 31 March 2021

(All amounts in Saudi Riyals unless otherwise stated)

25 Financial risk management (continued)

25.3 Net debt reconciliation (continued)

The Company's net debt reconciliation is as follows:

31 March 2021	1 April 2020	Cash flows	Transfers	Other	31 March 2021
Cash and cash equivalents	69,124,120	(26,834,391)	26,714	-	42,316,443
Loans from shareholders (Notes 1, 16 and 24)	(105,882,396)	-	104,916,958	(2,199,030)	(3,164,468)
Short-term borrowings	(436,427,715)	305,840,944	-	177,992	(130,408,779)
Lease liabilities	(31,724,404)	6,723,524	(2,637,825)	-	(27,638,705)
Long-term borrowings	(70,739,125)	70,198,000	-	541,125	-
Net debt	(575,649,520)	355,928,077	102,305,847	(1,479,913)	(118,895,509)

31 March 2020	1 April 2019	Recognised on adoption of IFRS 16	Cash flows	Transfers	Other	31 March 2020
Cash and cash equivalents	16,237,420	-	52,886,700	-	-	69,124,120
Loans from shareholders	(105,882,396)	-	-	-	-	(105,882,396)
Short-term borrowings	(187,123,925)	-	(247,917,891)	-	(1,385,899)	(436,427,715)
Lease liabilities	-	(38,583,984)	6,313,800	-	545,780	(31,724,404)
Long-term borrowings	(107,698,000)	-	37,500,000	-	(541,125)	(70,739,125)
Net debt	(384,466,901)	(38,583,984)	(151,217,391)	-	(1,381,244)	(575,649,520)

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

26 Categories of financial instruments

The following are the measurement categories for the financial instruments held by the Company:

	Financial assets carried at amortised cost	
	2021	2020
31 March		
Assets as per statement of financial position		
Trade and other receivables	323,452,841	634,660,091
Cash and cash equivalents	42,316,443	69,124,120
Total	365,769,284	703,784,211
	Financial liabilities carried at amortised cost	
	2021	2020
31 March		
Liabilities as per statement of financial position		
Bank borrowings	130,408,779	507,166,840
Long-term loans from shareholders	3,164,468	105,882,396
Lease liabilities	27,638,705	31,724,404
Trade and other payables	92,241,606	130,128,681
Total	253,453,558	774,902,321

For the purpose of the financial instruments disclosure, non-financial assets and non-financial liabilities amounting to Saudi Riyals 34.4 million and Saudi Riyals 17.3 million respectively (31 March 2020: Saudi Riyals 7.8 million and Saudi Riyals 61.7 million respectively) have been excluded from trade and other receivables and trade and other payables, respectively.

27 Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The Company has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements. Management regularly reviews significant unobservable inputs and valuation adjustments.

As at 31 March 2021 and 31 March 2020, the fair values of the Company's financial instruments are estimated to approximate their carrying values since the financial instruments which do not bear interest are short term in nature and are expected to be realized at their current carrying values within twelve months from the date of statement of financial position, while the financial instruments which bear interest are at variable interest rates, adjusted in line with prevailing market rates.

EAST PIPES INTEGRATED COMPANY FOR INDUSTRY
(A closed joint stock company)
Notes to the financial statements for the year ended 31 March 2021
(All amounts in Saudi Riyals unless otherwise stated)

28 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue during the year. As the Company does not have any dilutive potential shares, the diluted earnings per share is the same as the basic earnings per share.

	For the year ended 31 March	
	2021	2020
Profit for the year	148,266,023	236,933,819
Weighted average number of ordinary shares for basic and diluted earnings per share	10,136,952	7,604,688
Earnings per share	14.63	31.16

The weighted average number of shares for the year ended 31 March 2020 have been adjusted to reflect the reduction in number of shares from 76,046,875 shares into 7,604,688 shares.

28.1 Movement in the total number of outstanding shares

	2021	2020
	(Number of shares)	
1 April	76,046,875	76,046,875
Increase in the number of shares against retained earnings	5	-
	76,046,880	76,046,875
Reduction in the number of shares	(68,442,192)	-
	7,604,688	76,046,875
Increase in the number of shares through conversion of loans from shareholders	13,395,312	-
31 March	21,000,000	76,046,875

Also see Note 16.

29 Segment reporting

Subsequent to the Effective date of the merger between the Company and WMEPC, the reporting pack reviewed by the CODM contained the results of both the manufacturing and sale of spiral steel pipes and spiral pipes coating services, separately and hence management considered these as separate operating segments (the "Segments"). However, as of 31 March 2021, the composition of the Company's operating segments has changed and management has started looking at the results of both the Segments on a combined basis. The reporting pack provided to and reviewed by the CODM also includes the results of both the Segments on a combined basis and hence both the Segments are considered as one operating segment.

30 Contingencies and commitments

As at 31 March 2021, the Company was contingently liable for letters of credits and guarantees in the normal course of business amounting to Saudi Riyals 479.9 million (31 March 2020: Saudi Riyals 517.4 million).

31 Events after the reporting date

Subsequent to the reporting date, the Company received additional zakat and income tax assessments for the year 2016. Also see Note 23. No other events have arisen subsequent to 31 March 2021 and before the date of signing the independent auditor's report, that could have a significant effect on the financial statements as at 31 March 2021.