

SAUDI VITRIFIED CLAY PIPE COMPANY
SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2025

SAUDI VITRIFIED CLAY PIPE COMPANY

SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2025

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Independent Auditor's Review Report
On the interim condensed consolidated financial statements

To the shareholders of
Saudi Vitrified Clay Pipe Company
Saudi Joint Stock Company

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi Vitrified Clay Pipe Company (the "Company") (and its subsidiaries together "the Group") as of 30 June 2025 and the interim condensed consolidated statements of comprehensive income for the three and six-month periods then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended, and other explanatory notes (the "interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

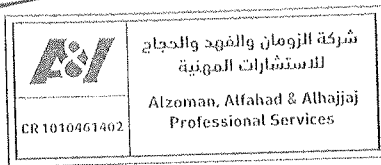
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia.

For Alzoman and Alfahad & Alhajjaj
For Professional Services

Zaher Abdullah Al-Hajjaj
Certified Public Accountant
License No. (562)



Riyadh – Kingdom of Saudi Arabia

Date: 17 Safar 1447 AH
Corresponding to: 11 August 2025

SAUDI VITRIFIED CLAY PIPE COMPANY

SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2025

(ALL AMOUNTS ARE SHOWN IN SAUDI RIYALS UNLESS OTHERWISE STATED)

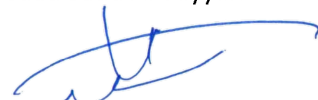
	Note	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	6	61,958,859	63,087,091
Intangible assets		7,594,039	7,617,840
Right-of-use assets		9,505,289	10,150,130
Capital work under construction	7	7,537,544	430,100
Total non-current assets		86,595,731	81,285,161
Current assets			
Inventory	8	42,636,165	42,853,797
Prepaid expenses and other assets	9	8,729,092	5,627,193
Accounts receivable	10	18,658,670	20,971,713
Cash and cash equivalents	11	6,117,953	4,218,244
Total current assets		76,141,880	73,670,947
Total assets		162,737,611	154,956,108
Equity and liabilities			
Equity			
Share capital		150,000,000	150,000,000
Accumulated losses		(68,173,709)	(47,963,420)
Total equity		81,826,291	102,036,580
Liabilities			
Non-current liabilities			
Lease liabilities		8,390,565	8,523,605
Defined employees' benefit plan liabilities		11,158,830	11,629,328
Deferred government grants		2,139,632	2,179,011
Total non-current liabilities		21,689,027	22,331,944
Current liabilities			
Lease liabilities		1,267,879	1,207,302
Long-term loans	12	12,228,168	12,060,272
Accrued expenses and other liabilities	13	8,277,099	4,748,960
Deferred Government grants		78,757	78,757
Short-term Loan	14	25,000,000	5,000,000
Trade payable	15	9,655,126	4,157,232
Contracts liabilities with customers		1,147,980	737,634
Zakat provision	16	1,567,284	2,597,427
Total current liabilities		59,222,293	30,587,584
Total liabilities		80,911,320	52,919,528
Total equity and liabilities		162,737,611	154,956,108

Chief Financial Officer

Abdel Khaleq Abdullah Babiker Al-Hassan


Managing Director

Dr. Saad Saud Al-Sayyari



Notes 1 to 25 form an integral part of these interim condensed consolidated financial statements

SAUDI VITRIFIED CLAY PIPE COMPANY

SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE AND SIX-MONTH PERIODS THEN ENDED JUNE 30, 2025

(ALL AMOUNTS ARE SHOWN IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	Note	For the three-month period ended June 30		For the six-months period ended June 30	
		2025	2024	2025	2024
		(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
Sales	17	14,754,722	9,656,571	27,849,282	24,482,518
Cost of sales		(19,197,948)	(16,903,975)	(33,309,185)	(32,220,464)
Gross loss		(4,443,226)	(7,247,404)	(5,459,903)	(7,737,946)
Selling and marketing expenses		(1,749,188)	(654,964)	(2,943,061)	(1,446,861)
General and administrative expenses	18	(4,803,244)	(4,487,867)	(10,515,932)	(9,336,338)
Expected credit losses reversal	10	116,793	1,400,000	116,793	1,991,777
Net loss for the period from operation main		(10,878,865)	(10,990,235)	(18,802,103)	(16,529,368)
Financing costs		(660,829)	(615,659)	(1,208,640)	(664,477)
Other income		79,203	43,461	161,974	200,268
Net loss for the period before zakat		(11,460,491)	(11,562,433)	(19,848,769)	(16,993,577)
Zakat expense	16	-	(518,602)	(361,520)	(585,884)
Net loss for the period after zakat		(11,460,491)	(12,081,035)	(20,210,289)	(17,579,461)
Total comprehensive loss for the period		(11,460,491)	(12,081,035)	(20,210,289)	(18,487,167)
Basic and Diluted Loss per Share					
Basic and diluted loss per share for the period	19	(0.76)	(0.81)	(1.35)	(1.17)

Chief Financial Officer

Abdel Khaleq Abdullah Babiker Al-Hassan


Managing Director

Dr. Saad Saud Al-Sayyari



SAUDI VITRIFIED CLAY PIPE COMPANY

SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2025

(ALL AMOUNTS ARE SHOWN IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	Share capital	Statutory reserve	(Accumulated losses)	Total equity
Balance as of January 1, 2024 (As Issued)	150,000,000	75,000,000	(14,808,787)	210,191,213
Net loss for the period (Restated)	-	-	(17,579,461)	(17,579,461)
Balance as of June 30, 2024 (unaudited)	150,000,000	75,000,000	(32,388,248)	192,611,752
Balance as of January 1, 2025	150,000,000	-	(47,963,420)	102,036,580
Net loss for the period	-	-	(20,210,289)	(20,210,289)
Balance as of June 30, 2025 (unaudited)	150,000,000	-	(68,173,709)	81,826,291

Chief Financial Officer

Abdel Khaleq Abdullah Babiker Al-Hassan


Managing Director

Dr. Saad Saud Al-Sayyari



SAUDI VITRIFIED CLAY PIPE COMPANY

SAUDI JOINT STOCK COMPANY

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2025

(ALL AMOUNTS ARE SHOWN IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	For the six-month period ended June 30	
	2025	2024
	(Unaudited)	(Unaudited) (Restated)
Cash flows from operating activities		
Net loss for the period before zakat	(19,848,769)	(16,993,577)
Adjustments to Reconcile Net Loss for the Period to Non-Cash Items		
Depreciation of property, plant, and equipment - Note 6	2,420,897	5,089,983
Amortization of intangible assets	53,552	25,530
Amortization of right-of-use assets	644,841	642,310
(Reversal) for expected credit loss – Note 10	(116,793)	(1,991,777)
Provision for obsolete and slow-moving inventories charged – Note 8	200,000	200,000
Financing costs	1,208,640	364,822
Defined employees' benefit plan liabilities	634,523	789,535
	(14,803,109)	(11,873,174)
Changes in operating assets and liabilities		
Prepaid expenses and other assets	(3,101,899)	(1,926,415)
Inventory	17,632	4,347,980
Accounts receivable	2,429,836	4,072,285
Accrued expenses and other liabilities	2,855,167	(997,460)
Contracts liabilities with customers	410,346	673
Trade payable	5,497,894	106,846
Net cash used in operations	(6,694,133)	(6,269,265)
Defined employees' benefit plan liabilities paid	(1,105,021)	(764,896)
Zakat paid – Note 16	(1,391,663)	(2,821,234)
Net cash used in operating activities	(9,190,817)	(9,855,395)
Cash flows from investing activities		
Additions to property, plant and equipment – Note 6	(1,292,665)	(825,873)
Additions to intangible assets	(29,750)	(117,190)
Payment for the acquisition of the subsidiary	-	(25,000,000)
Additions to capital works under construction	(7,107,444)	-
Net cash used in investing activities	(8,429,859)	(25,943,063)
Cash flows from financing activities		
Proceeds from short-term loans	25,000,000	5,000,000
Repayment of short-term loans	(5,000,000)	-
Repayment of long-term loans	-	(3,100,000)
Financing costs paid	(246,022)	(43,636)
Repayment of lease liability	(233,593)	(197,268)
Net cash generated from financing activities	19,520,385	1,659,096
Net change in cash and cash equivalents	1,899,709	(34,139,362)
Cash and cash equivalents at the beginning of the period	4,218,244	44,679,339
Cash and cash equivalents at the end of the period	6,117,953	10,539,977

Chief Financial Officer

Abdel Khaleq Abdullah Babiker Al-Hassan

Managing Director

Dr. Saad Saud Al-Sayyari

Notes 1 to 25 form an integral part of these interim condensed consolidated financial statements

SAUDI VITRIFIED CLAY PIPE COMPANY

SAUDI JOINT STOCK COMPANY

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2025

(ALL AMOUNTS ARE SHOWN IN SAUDI RIYALS UNLESS OTHERWISE STATED)

1. SUMMARY OF THE PARENT COMPANY, ITS SUBSIDIARY, AND ITS ACTIVITIES

A. Incorporation

Saudi Vitrified Clay Pipe Company ("Company") is a Saudi joint stock company registered in Saudi Arabia under the Commercial Register No. 1010014993 issued in Riyadh on Rabia AlAwwal 8, 1398 AH (corresponding to February 16, 1978). On August 7, 2024, Saudi Vitrified Clay Pipe Co. announced the Board of Directors' recommendation to increase the share capital by SAR 80 million through a rights issue. As of the date of these interim condensed consolidated financial statements, the Company is still in the process of completing the regulatory procedures.

B. Main activity of the parent company

The principal activity of the parent company is as follows:

Manufacturing commercial and plastic pipes, their accessories and fittings, in various diameters, and providing all supporting works for this purpose.

- Wholesale and retail trade of sanitary equipment, machinery, and tools.
- Public utility connection works and execution of water and sewage projects (water desalination and purification, and wastewater treatment), electrical and mechanical works, and contracting of cooling and air-conditioning works.
- Commercial agency activities related to the Company's purposes after registration in the Commercial Agencies Register.
- Establishing and managing various industrial projects related to pipes, and marketing their products and technologies.
- Expanding and developing water management projects and organizing sewage networks.
- Manufacturing of various types of pipes used for liquid transportation.
- Manufacturing of all types of molds for concrete surfaces and their derivatives.
- Manufacturing of all types of ready-mix concrete.
- Manufacturing of water and sewage pipes and their accessories.
- Mining and quarrying.

C. Main Address

The company's headquarters is located at the following address:

Riyadh – Second Industrial City – Road No. 182, P.O 6415, Zip Code 11442, Kingdom of Saudi Arabia

D. Subsidiaries

This interim condensed consolidated financial statement as at June 30, 2025, includes the financial statements of the parent company (the "Company") and its subsidiaries, (collectively referred to as the "Group"), which are shown below:

Name of the subsidiary	Founding county	CR number	CR date	Ownership percentage	
				June 30, 2025	December 31, 2024
Laffan Pipe Company	Kingdom of Saudi Arabia	1009047290	June 3, 2024	100%	100%
Saudi Land Factory for Cement products	Kingdom of Saudi Arabia	1011022606	April 9, 2022	100%	100%

E. Sub-commercial register

The parent company has obtained the following sub-commercial registration:

CR name	CR number	Date of issuance	Place of issuance	Activity
Saudi Vitrified Clay Pipe Company	1010609539	July 11, 2017	Riyadh	Manufacture of pipes and trade of pottery and handicrafts

SAUDI VITRIFIED CLAY PIPE COMPANY

SAUDI JOINT STOCK COMPANY

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2025

(ALL AMOUNTS ARE SHOWN IN SAUDI RIYALS UNLESS OTHERWISE STATED)

2. BASIS OF PREPARATION INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2-1 Basis of preparation

The interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 that are endorsed in the Kingdom of Saudi Arabia, along with other complementary standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountant, and should be read in conjunction with the latest financial statements of the Company for the year ended December 31, 2024, which do not include all the information required for the full set of consolidated financial statements prepared in accordance with International Financial Reporting Standards. However, changes in accounting policies, if any, and selected explanatory notes to explain significant events and transactions are included in the interim condensed consolidated financial statements to understand the changes in the interim condensed consolidated financial position and performance since the last annual financial statements since December 31, 2024.

2-2 Basis of measurement

The interim condensed consolidated financial statements have been prepared on the historical cost basis, and the accrual basis, except for defined benefit plan obligations, which are measured using the expected credit unit method. Another basis is used if required by the endorsed International Financial Reporting Standards in the Kingdom of Saudi Arabia and other complementary standards and interpretations endorsed by the Saudi Organization for Chartered and Professional Accountants.

2-3 Functional and presentation currency

These interim condensed financial statements are presented in Saudi Arabian Riyal, which is the functional currency of the Group, and are rounded to the nearest Saudi Riyal.

2-4 Use of judgments, assumptions, and estimates

The preparation of the interim condensed consolidated financial statements in accordance with the International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia and other standards and issuances supplementing the international standards approved by the Saudi Organization for Auditors and Accountants requires management to use judgments, estimates and assumptions that affect the recorded amounts of revenues, costs, assets, liabilities and disclosures of potential liabilities at the date of Fiscal period. However, lack of certainty about these judgements, assumptions and estimates may lead to results that may require making material adjustments to the carrying value of the assets and liabilities affected in the future.

Judgments, estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to estimates are recognized prospectively.

The significant judgements, assumptions and estimates made by management in applying the Group's accounting policies and the significant sources of uncertainty in the judgments, assumptions and estimates were similar to those described in the Group most recent annual financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied to these interim condensed consolidated financial statements are the same as those applied to the financial statements for the year ending December 31, 2024, as there are no new standards issued. However, a number of amendments to the standards are effective as of January 1, 2025, which were made and explained in the company's annual financial statements, but it has no material impact on the Group's interim condensed consolidated financial statements.

New and revised standards and interpretations

The following are amendments to accounting standards and interpretations that are effective for annual reporting periods beginning on or after January 1, 2025. The Group management has assessed that the amendments will not have a material impact on the Group financial statements.

SAUDI VITRIFIED CLAY PIPE COMPANY

SAUDI JOINT STOCK COMPANY

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2025

(ALL AMOUNTS ARE SHOWN IN SAUDI RIYALS UNLESS OTHERWISE STATED)

4. GOING CONCERN AND ACCUMULATED LOSSES

The Group incurred a net loss of SAR 20.2 million for the period ended June 30, 2025. As of that date, the Group's accumulated losses amounted to SAR 68.1 million.

- The Group's management has assessed the Group's financial performance and working capital for the upcoming period and expects an improvement in vitrified clay pipe sales during 2025 compared to 2024. This expectation is based on an increase in project tenders issued in 2024 that specify vitrified clay pipes by the National Water Company and the National Housing Company, compared to 2023, which is expected to positively impact sales in 2025. Management believes it has sufficient resources to continue operating as a going concern and expects to generate adequate cash flows to meet its obligations as they fall due over the next twelve months from the date of these interim condensed consolidated interim financial statements.
- The Group is diversifying its production to increase sales by expanding into plastic and cement pipe manufacturing. The HDPE pipe factory (Laffan Pipes) is expected to be completed during the fourth quarter of 2025.
- The Group is also expanding and activating sales of vitrified clay pipes through exports and new domestic projects in the Kingdom of Saudi Arabia.
- Additionally, the Group is in the process of increasing its share capital through a rights issue. This transaction, expected to be completed in Q3, 2025, will inject approximately SAR 80 million into the Group's treasury, enabling further expansion across all its activities.

Furthermore, management confirms that it is not aware of any other material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Accordingly, these interim condensed consolidated financial statements have been prepared on a going concern basis.

5. INTERIM CONDENSED CONSOLIDATED FINANCIAL RESULTS FOR THE PERIOD

The management has prepared all the reconciliations that are material in order to present the interim condensed consolidated financial statements fairly as at June 30, 2025, and the results of its interim condensed consolidated operations for the period then ended. The interim condensed consolidated financial results for that period may not represent an accurate indication of the financial results for the year ended December 31, 2025.

SAUDI VITRIFIED CLAY PIPE COMPANY

SAUDI JOINT STOCK COMPANY

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2025

(ALL AMOUNTS ARE SHOWN IN SAUDI RIYALS UNLESS OTHERWISE STATED)

6. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2025	December 31, 2024
	(Unaudited)	(Audited)
Cost		
Balance at the beginning of the period/year	566,037,471	533,344,218
Additions resulting from the acquisition of a subsidiary *	-	34,365,188
Additions	1,292,665	3,505,936
Disposals	-	(5,177,871)
Balance at the end of the period/year	567,330,136	566,037,471
Accumulated depreciation		
Balance at the beginning of the period/year	376,299,010	369,994,965
Additions resulting from the acquisition of a subsidiary *	-	696,411
Charged for the period	2,420,897	10,785,501
Disposals	-	(5,177,867)
Balance at the end of the period/year	378,719,907	376,299,010
Accumulated impairment		
Balance at the beginning of the period/year	126,651,370	46,413,761
Charged	-	80,237,609
Balance at the end of the period/year	126,651,370	126,651,370
As at the end of the period/year	61,958,859	63,087,091

7. Capital WORK UNDER CONSTRUCTION

Capital work under construction represents the cost of constructing the "Laffan Pipes" factory, which specializes in pipe production and commenced during 2024. The balance of capital work in progress as at June 30, 2025, amounted to SAR 7,537,544 (December 31, 2024: SAR 430,100).

The project is being executed as per the planned schedule and is expected to be completed during the fourth quarter of 2025. Upon completion and commencement of actual operations, the cost will be transferred to property, plant, and equipment.

SAUDI VITRIFIED CLAY PIPE COMPANY

SAUDI JOINT STOCK COMPANY

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2025

(ALL AMOUNTS ARE SHOWN IN SAUDI RIYALS UNLESS OTHERWISE STATED)

8. INVENTORY

	June 30, 2025	December 31, 2024
	(Unaudited)	(Audited)
Spare parts	16,617,035	17,359,994
Work in process	12,411,504	11,863,979
Finished goods	10,127,730	10,760,830
Raw materials	6,735,536	5,771,034
Accessories	1,710,811	1,865,431
Packaging inventory	339,946	338,926
	47,942,562	47,960,194
Less - Provision for obsolete, slow-moving, and damaged inventory	(5,306,397)	(5,106,397)
	42,636,165	42,853,797

The following is the transaction made on a damaged, stagnant and slow inventory allocation for the period/year:

	June 30, 2025	December 31, 2024
	(Unaudited)	(Audited)
Balance at the beginning of the period/year	5,106,397	2,302,105
Charge for the period/year	200,000	2,804,292
Balance at the end of the period/year	5,306,397	5,106,397

A provision for the obsolete and slow-moving inventory of SR 200,000 was charged for the period ending June 30, 2025 and was recorded to the cost of sales.

9. PREPAID EXPENSES AND OTHER ASSETS

	June 30, 2025	December 31, 2024
	(Unaudited)	(Audited)
Advances paid for purchase of machinery and equipment	3,567,575	3,451,113
Advance payments to suppliers	2,103,735	1,137,743
Value added tax	877,110	354,788
Prepaid expenses	1,876,628	438,221
Refundable deposits	195,984	170,628
Letters of guarantee	50,000	50,000
Employees advance	58,060	24,700
	8,729,092	5,627,193

10. ACCOUNTS RECEIVABLES

	June 30, 2025	December 31, 2024
	(Unaudited)	(Audited)
Accounts receivable	26,985,926	29,415,762
Provision for expected credit losses	(8,327,256)	(8,444,049)
	18,658,670	20,971,713

10. ACCOUNTS RECEIVABLES (CONTINUED)

The movement of the provision for expected credit losses for the period/year is as follows:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Balance, beginning of the period/year	8,444,049	11,465,884
Reverse during the period/year	(116,793)	(2,637,338)
Write off during the period/year	-	(384,497)
Balance, ending of the period/year	8,327,256	8,444,049

A. The analysis of the allowance for expected credit losses for the period/year is as follows:

	June 30, 2025 (Unaudited)			December 31, 2024 (Audited)		
Category	Book value	ECL rate	Expected credit loss	Book value	ECL rate	Expected credit loss
Up to 3 months	16,032,378	2.93%	469,957	17,379,160	%3.10	538,831
3 – 6 months	2,081,531	21.93%	456,412	1,157,003	%36.17	418,467
6 months – one year	1,644,166	47.05%	773,602	3,914,937	%37.46	1,466,477
More than one year	7,227,851	91.69%	6,627,285	6,964,662	%86.44	6,020,274
	26,985,926	30.86%	8,327,256	29,415,762	%28.71	8,444,049

The Group holds a number of bank guarantee letters issued by customers as collateral for the collection of receivables, and their effect is considered when estimating the expected credit loss allowance.

11. CASH AND CASH EQUIVALENTS

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Cash at banks	6,063,600	4,196,344
Cash on hand	54,353	21,900
	6,117,953	4,218,244

12. LONG-TERM LOAN

During 2019, Saudi Arabian Land Factory for Cement Products Company (the “Subsidiary”) entered into a long-term interest-free loan agreement with the Saudi Industrial Development Fund (SIDF) for the purpose of establishing a plant to produce reinforced concrete pipes, as well as lined and unlined concrete pipes. The plant is to be constructed on land leased from the Saudi Authority for Industrial Cities and Technology Zones under a lease contract in Al-Kharj City. This arrangement qualifies as a government grant, given that SIDF is a government entity and the loan was obtained interest-free, and the condition attached to the government grant has been fulfilled.

The total financing obtained amounted to SAR 15.9 million. The loan is secured by financial covenants and ratios, as well as a promissory note for the full value of the loan and a mortgage over the entire plant (including the building, machinery, vehicles, furniture, office equipment, all expansions, and all related facilities). As of June 30, 2025, the Group was not in compliance with these covenants; therefore, the outstanding loan balance was reclassified in full as a current liability.

During the second quarter of 2024, the Group repaid SAR 3.1 million, reducing the balance to SAR 12.8 million as of December 31, 2024.

SAUDI VITRIFIED CLAY PIPE COMPANY

SAUDI JOINT STOCK COMPANY

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2025

(ALL AMOUNTS ARE SHOWN IN SAUDI RIYALS UNLESS OTHERWISE STATED)

12. LONG-TERM LOAN (CONTINUED)

A. The present value of the loan is as follows:

	June 30, 2025	December 31, 2024
	(Unaudited)	(Audited)
Outstanding payments	12,800,000	12,800,000
Present value of payments	12,228,168	12,060,272
Deferred interest	571,832	739,728

The loan is repayable in semi-annual installments, with the final installment due on Safar 15, 1450H (corresponding to August 8, 2028).

13. ACCRUED EXPENSES AND OTHER LIABILITIES

	June 30, 2025	December 31, 2024
	(Unaudited)	(Audited)
Board of directors' remuneration and allowances	2,740,000	2,012,000
Salaries and employee benefits	3,252,210	1,387,846
VAT payable	-	90,128
Dividends due to shareholders	82,463	82,463
Other	2,202,426	1,176,523
	8,277,099	4,748,960

14. SHORT-TERM LOAN

As at June 30, 2025, the Parent Company has short-term Murabaha facilities from local commercial banks amounting to SAR 25 million (December 31, 2024: SAR 5 million). These facilities are used to finance the Group's operational activities and the construction of the Laffan Pipe Factory. The facilities bear financing costs based on prevailing market commission rates, determined according to the Saudi Interbank Offered Rate (SIBOR) plus a fixed margin.

The facilities are secured by financial covenants and the issuance of a promissory note for the full facility amount.

15. TRADE PAYABLES

The balance includes amounts received by the Group from Al-Dohah Concrete Mold Factory Company for the purpose of entering into a future strategic partnership, which involves a partial acquisition of Saudi Land Factory for Cement Products.

As at June 30, 2025, the outstanding amount totaled SAR 1,235,033. The amount has been presented under trade payables from third parties, pending the completion of regulatory procedures and the signing of final agreements.

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16. ZAKAT STATUS**A. Saudi Vitrified Clay Pipe Company (Parent company):**

- The Company submitted zakat returns and financial statements to the Zakat, Tax and Customs Authority ("the Authority") until 2024, and paid the dues according to those declarations and obtained the required Zakat certificates.
- The Company has finalized its zakat status for the years 2017, 2019, 2020 and 2023.
- No zakat assessments were received for the year 2018.
- The Company has received provisional Zakat assessments from the ZATCA for the years 2021 and 2022, and it has referred them to the General Secretariat of Tax Committees (Appeals Committee). A decision was issued to reject the claim, and the Authority granted the Company one month to file an objection. The Company is in the process of submitting its objection to the Authority and is still awaiting the final decision. The Company has recognized a provision against the received zakat assessments.

A. Saudi Land Cement Products Company (subsidiary):

The Company submitted its zakat returns and financial statements to the Zakat, Tax and Customs Authority until 2024, and paid its due under those declarations and obtained the required certificates. The company has not received any zakat commitments to date.

B. Laffan Pipes Company (subsidiary):

The Company has submitted zakat returns and financial statements to the General Authority of Zakat and Tax until the year 2024, and has paid the due amounts according to those returns and obtained the required certificates. The Company has not received any zakat assessments to date.

Zakat provision

	June 30, 2025	December 31, 2024
	(Unaudited)	(Audited)
Beginning balance of period/year	2,597,427	4,028,540
Expense for the period/year	361,520	1,446,108
Paid	(1,391,663)	(2,877,221)
	<u>1,567,284</u>	<u>2,597,427</u>

17. Sales

- A.** The Group's sales represent sales from the clay and cement pipes segment in various diameters, which are sold directly to customers.
- B.** Revenue from sales is recognized at a certain point in time.
- C.** Below are details of sales by geographical segments of the Group:

	For the three-month period ended June 30		For the six-month period ended June 30	
	2025	2024	2025	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales within the Kingdom of Saudi Arabia	13,975,684	8,371,408	26,638,162	21,260,454
Sales outside the Kingdom of Saudi Arabia	779,038	1,285,163	1,211,120	3,222,064
	<u>14,754,722</u>	<u>9,656,571</u>	<u>27,849,282</u>	<u>24,482,518</u>

- D.** See Note (22) for segment reporting to distribute sales across segments.

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18. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three-month period ended June 30		For the six-month period ended June 30	
	2025	2024	2025	2024
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
Salaries and employee benefits	3,470,415	3,202,179	7,291,552	6,409,531
Board of directors' remuneration and allowances	503,000	503,000	1,006,000	1,006,000
Professional fees and consulting	199,550	296,373	672,058	751,515
Bank charges	35,180	32,006	203,432	56,338
Amortization of right-of-use assets	81,610	124,428	163,220	248,856
Insurance and medical expenses	60,691	59,589	123,050	120,090
Maintenance	28,801	15,566	46,151	17,806
Travel and transportation	43,002	42,391	56,047	65,528
Others	380,995	212,335	954,422	660,674
	4,803,244	4,487,867	10,515,932	9,336,338

19. LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing the net loss for the period by the weighted average number of outstanding shares at the end of the period, as follows:

	For the three-month period ended June 30		For the six-month period ended June 30	
	2025	2024	2025	2024
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
Net loss for the period	(11,460,491)	(12,081,035)	(20,210,289)	(17,579,461)
Weighted average number of outstanding shares at period end	15,000,000	15,000,000	15,000,000	15,000,000
Basic and diluted loss per share	(0.76)	(0.81)	(1.35)	(1.17)

20. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND FAIR VALUE

The Group's objectives and policies for financial risk management remain consistent with those disclosed in the Group's annual financial statements for the year ended December 31, 2024. There have been no significant changes in the classification, measurement, or fair value of financial instruments during the financial period ended June 30, 2025. Likewise, there have been no material changes in the Group's exposure to credit, liquidity, or market risks, nor in the methods used to manage those risks, compared to what was disclosed in the most recent annual financial statements.

Fair Value

Fair value represents the amount for which assets could be exchanged or liabilities settled between knowledgeable, willing parties in an arm's length transaction. Financial instruments comprise financial assets and financial liabilities. The Group's management believes that the fair value of financial assets and financial liabilities does not materially differ from their carrying amounts.

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21. CONTINGENT LIABILITIES AND SIGNIFICANT MATTERS**A. Capital commitments:**

- The Group has commitments related to the purchase of machinery and equipment amounting to EUR 1,369,647 (equivalent to SAR 5,752,518) as of June 30, 2025.
- The Group has capital commitments under a contract with "We one Company" for the construction of the LAFFAN Pipe Plant. The remaining contractual value to complete the project is approximately SAR 12,846,707 as of June 30, 2025.

B. Legal cases and financial claims:

- The parent company has a financial claim against Haider Saleh Al Haider & Partner Company amounting to SAR 833,476. A final judgment has been issued in favor of the company, submitted to the Enforcement Court, and the necessary procedures have been completed, pending execution.
- The parent company has a financial claim against Ruwaifad Al-Saedi Company amounting to SAR 1,295,329. A final judgment was issued based on a settlement, submitted for enforcement, and collection is in progress.
- The parent company has a financial claim against Al-Mashariq Trading & Contracting Company amounting to SAR 581,377. A final judgment was issued in favor of the company, submitted to the Enforcement Court, the necessary procedures have been completed, and execution has been carried out.

The Group has covered these amounts within the expected credit loss allowance.

22. SEGMENT REPORTING

The company's main activity consists of sectors that include the production of clay and cement pipes and laffan.

The following is a summary of selected sector information for each sector:

Sectors	Clay pipes	Cement pipes	Laffan pipes	Total
As of June 30, 2025 (unaudited)				
Total assets	97,487,504	54,717,975	10,532,132	162,737,611
Total Liabilities	58,736,031	21,553,834	621,455	80,911,320
As of December 31, 2024 (audited)				
Total assets	104,090,097	50,866,011	-	154,956,108
Total Liabilities	32,755,738	20,163,790	-	52,919,528
Sectors	Clay pipes	Cement pipes	Laffan pipes	Total
For the six-month period ending June 30, 2025 (unaudited)				
Revenues	13,670,553	14,178,729	-	27,849,282
Sector loss for the period before zakat	(18,383,093)	(1,262,619)	(203,057)	(19,848,769)
For the six-month period ending June 30, 2024 (unaudited)				
Revenues	24,099,503	383,015	-	24,482,518
Sector loss for the period before zakat (restated)	(16,524,928)	(468,649)	-	(16,993,577)

Detailed revenue information for the geographical segments is shown in Note (17).

23. PRIOR PERIOD ADJUSTMENTS

In accordance with the requirements of International Accounting Standard No. 8 "Accounting Policies, Changes in Accounting Estimates, and Errors," management has adjusted the comparative figures for prior periods. The below disclosure provides details of the adjustments, reclassification, and their impact on items in the interim condensed consolidated income statement and statement of comprehensive income. Accordingly, the opening balances of equity for the earliest period presented have been restated as follows:

- During the current period, the Group reviewed the accounting policies and procedures related to the allocation of impairment losses on property, plant, and equipment. It was identified that in previous periods, the impairment loss was incorrectly allocated disproportionately across affected items, leading to higher depreciation expenses than necessary. The impact of the adjustment for the period ended June 30, 2024, was SAR 1,952,272, which was reversed from cost of sales.
- An adjustment was made in the prior period regarding the recognition of right-of-use assets and lease liabilities, which affected the depreciation of right-of-use assets and the finance costs related to lease liabilities. This resulted in depreciation expense of SAR 108,395 for the period ended June 30, 2024, which was recognized in cost of sales. Finance costs of SAR 42,785 for the same period, which were recognized in finance costs.
- During the current period, the Group restated certain comparative figures due to one of the subsidiaries transitioning from applying IFRS for SMEs to full IFRS. This change led to adjustments in the accounting policies applied by the subsidiary, which resulted in Recognition of depreciation of right-of-use assets amounting to SAR 149,528, recognized in cost of sales, Recognition of finance costs on lease liabilities amounting to SAR 39,817, and amortization of a fund loan amounting to SAR 184,585, both recognized in finance costs, Reclassification of deferred government grant interest of SAR 32,816 as a reducing adjustment, The total impact of this transition on prior period losses was SAR 341,114.
- An error was corrected related to the failure to recognize SAR 1,400,000, representing a reversal of expected credit loss allowance, which had previously been incorrectly recorded under trade receivables instead of being recognized in the statement of profit or loss as a reversal of expected credit losses.

Accordingly, the Group has restated the comparative information in line with the requirements of IAS 8, and the financial statements for the prior period have been adjusted to reflect the corrective impact of these errors.

The impact of these adjustments on the interim condensed consolidated statement of profit or loss and other comprehensive income for the six-month period ended June 30, 2024, was as follows:

	As at June 30, 2024 As Previously Reported	Adjustment	Reclassification	As at June 30, 2024 (As Restated)
Cost of sales	(33,914,813)	1,694,349	-	(32,220,464)
Finance costs	(397,290)	(267,187)	-	(664,477)
General and administrative expenses	(8,744,561)	-	(591,777)	(9,336,338)
Reversal of expected credit losses	-	1,400,000	591,777	1,991,777
Other income	167,452	32,816	-	200,268
Impact of adjustments on net loss for the period	(20,439,439)	2,859,978	-	(17,579,461)

24. SUBSEQUENT EVENTS

Management believes that there have been no significant subsequent events since the end of the period that would require adjustment to, or disclosure in, these interim condensed consolidated financial statements.

25. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved by the Board of Directors upon the recommendation of the Audit Committee on Safar 12, 1447H (corresponding to August 6, 2025).