RSM Allied Accountants
Dr. Abdelgadir Bannaga & Partners Co.

Saudi Vitrified Clay Pipe Company
(Saudi Joint Stock Company)
Riyadh - Kingdom of Saudi Arabia

Condensed interim financial statements (unaudited)
For the three and six-month periods ending in June 30, 2021
and the independent auditor's report on the review of the condensed interim financial statements

Saudi Vitrified Clay Pipe Company
(Saudi Joint Stock Company)

Condensed interim financial statements (unaudited)
For the three and six-month periods ending in June 30, 2021

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Independent Auditor's Report
On the review of the condensed interim financial statements

To the shareholders of
Saudi Vitrified Clay Pipe Company
(Saudi Joint Stock Company)
Riyadh – Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying condensed interim financial statements of Saudi Vitrified Clay Pipe Company (Saudi Joint Stock Company) (the "Company") which includes the condensed interim statement of financial position as of June 30, 2021, the condensed interim statements of profit or loss and other comprehensive income for the three and six-month periods ending in June 30, 2021, Changes is shareholders' equity, and Cash flows for the Six months period ended in that date. Management is responsible for preparing and presenting these condensed interim financial statements in accordance with International Accounting Standard No. (34) "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements No. 2410 "Review of interim Financial Information performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the international standards on auditing 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 condensed interim financial statements as at June 30 2021 are not prepared in all material respects, in accordance with International Accounting Standard No. (34) "Interim Financial Report" as endorsed in the Kingdom of Saudi Arabia.

Allied Accountants
Dr. Abdelgadir Bannaga and Partners Company

Mohammed bin Farhan bin Nader
License No. 435
Riyadh, Kingdom of Saudi Arabia
15 Dhul-Hijjah 1442 AH (25 July 2021)

المحاسبون المتحالفون
C.R: 4030228773
License No. 323/11/168
Dr. Abdelgadir bannaga & Partners Company
Certified Public Accountants
Allied Accountants

Saudi Vitrified Clay Pipe Company
(Saudi Joint Stock Company)

Condensed Interim statement of financial position (Unaudited)
As at June 30, 2021

	Note	June 30, 2021 SR (Unaudited)	December 31, 2020 SR (Audited)
Assets			
Non-current assets			
Property, plant and equipment, net	6	**183,124,679**	189,145,076
Intangible assets, net	7	**855,530**	1,026,636
Right of use assets, net	8	**5,352,208**	5,637,798
Total non-current assets		**189,332,417**	195,809,510
Current assets			
Prepaid expenses and other assets	9	**2,819,164**	1,913,216
Inventory, net	10	**36,807,449**	42,704,291
Accounts receivable, net	11	**57,560,700**	55,340,736
Cash on hand and banks balances	12	**30,803,512**	25,061,902
Total current assets		**127,990,825**	125,020,145
Total assets		**317,323,242**	320,829,655
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	1	**150,000,000**	150,000,000
Statutory reserve	13	**75,000,000**	75,000,000
Retained earnings		**52,773,931**	53,979,049
Total shareholders' equity		**277,773,931**	278,979,049
Non-current liabilities			
Lease obligations, non-current portion	8	**4,894,628**	4,786,791
Defined employees' benefit plan obligations	14	**15,278,808**	16,771,895
Total non-current liabilities		**20,173,436**	21,558,686
Current liabilities			
Lease obligations, current portion	8	**668,065**	668,065
Accruals and other liabilities	15	**7,337,902**	8,118,738
Advances from customers		**2,820,092**	1,990,254
Accounts payable		**6,702,917**	6,219,864
Accrued dividends to shareholders		**82,463**	82,463
Zakat provision		**1,764,436**	3,212,536
Total current liabilities		**19,375,875**	20,291,920
Total liabilities		**39,549,311**	41,850,606
Total shareholders' equity and liabilities		**317,323,242**	320,829,655

The accompanying notes from (1) to (22) form an integral part of these condensed interim financial statements

Saudi Vitrified Clay Pipe Company
(Saudi Joint Stock Company)

Condensed Interim statement of profit or loss and other comprehensive income (Unaudited)
For the three and six-month periods ending in June 30, 2021

	Note	For the Three months period ended in June 30		For the Six months period ended in June 30	
		2021 SR (Unaudited)	2020 SR (Audited)	**2021 SR (Unaudited)**	2020 SR (Audited)
Profit or loss					
Sales, net	16	**22,660,326**	28,032,538	**47,414,642**	68,580,030
Cost of sales	16	**(18,253,213)**	(17,997,594)	**(35,873,732)**	(45,193,805)
Gross profit		**4,407,113**	10,034,944	**11,540,910**	23,386,225
Selling and marketing expenses		**(1,064,638)**	(1,614,636)	**(2,673,387)**	(3,687,149)
General and administrative expenses		**(4,129,337)**	(4,788,418)	**(8,716,272)**	(9,968,522)
Net (loss) profit from main operations		**(786,862)**	3,631,890	**151,251**	9,730,554
Financing costs		**(53,919)**	(115,886)	**(107,837)**	(268,668)
Other income		**57,889**	131,173	**35,078**	362,510
Net (loss) profit for the period before zakat		**(782,892)**	3,647,177	**78,492**	9,824,396
Zakat		**(651,165)**	(791,640)	**(1,283,610)**	(1,555,197)
Net (loss) profit for the period		**(1,434,057)**	2,855,537	**(1,205,118)**	8,269,199
Other comprehensive income		-	-	-	-
Total comprehensive (loss) income for the Period		**(1,434,057)**	2,855,537	**(1,205,118)**	8,269,199
(Losses) earnings per share	17				
(losses) earnings per share from net (loss) profit from main operations		**(0.05)**	0.24	**0.01**	0.65
(Losses) earnings per share from net (loss) profit for the period		**(0.10)**	0.19	**(0.08)**	0.55
Number of shares		**15,000,000**	15,000,000	**15,000,000**	15,000,000

The accompanying notes from (1) to (22) form an integral part of these condensed interim financial statements

Saudi Vitrified Clay Pipe Company
(Saudi Joint Stock Company)

Condensed interim statement of changes in shareholders' equity (unaudited)
For the Six months period ended June 30, 2021

	Share capital SR	Statutory reserve SR	Retained earnings SR	Total shareholders' equity SR
For the Six months period ended June 30, 2020 (unaudited)				
Balance as of January 1, 2020	150,000,000	75,000,000	60,096,478	285,096,478
Net profit for the period	-	-	8,269,199	8,269,199
Balance as of June 30, 2020	150,000,000	75,000,000	68,365,677	293,365,677
For the Six months period ended June 30, 2021 (unaudited)				
Balance as of January 1, 2021	**150,000,000**	**75,000,000**	**53,979,049**	**278,979,049**
Net loss for the period	-	-	**(1,205,118)**	**(1,205,118)**
Balance as of June 30, 2021	**150,000,000**	**75,000,000**	**52,773,931**	**277,773,931**

The accompanying notes from (1) to (22) form an integral part of these condensed interim financial statements

Saudi Vitrified Clay Pipe Company
(Saudi Joint Stock Company)

Condensed interim statement of cash flows
For the Six months period ended June 30, 2021

	For the Six months period ended June 30	
	2021 SR (Unaudited)	2020 SR (Unaudited)
Cash flows from operating activities		
Net (loss) profit for the period	**(1,205,118)**	8,269,199
Adjustments to reconcile net (loss) profit for year to net cash provided by operating activities		
Depreciation of property, plant, and equipment	**6,403,222**	6,549,614
Gains from the sale of property, plant, and equipment	**-**	(9,093)
Amortization of intangible assets	**171,106**	171,106
Depreciation of right of use assets	**285,590**	283,878
Provision charged for damaged, obsolete, and slow-moving inventory	**-**	1,694,774
Financing costs	**107,837**	268,668
Defined employees' benefit plan obligations charged	**827,066**	519,600
Zakat provision charged	**1,283,610**	1,555,197
	7,873,313	19,302,943
Changes in operating assets and liabilities		
Prepaid expenses and other assets	**(905,948)**	(1,319,575)
Inventory	**5,896,842**	(7,885,581)
Account receivable	**(2,219,964)**	(1,745,028)
Accrued expenses and other liabilities	**(780,836)**	(294,702)
Advances from customers	**829,838**	584,773
Accounts payable	**483,053**	3,752,862
Defined employees' benefit plan obligations paid	**(2,320,153)**	(48,326)
Zakat provision paid	**(2,731,710)**	-
Net cash provided by operating activities	**6,124,435**	12,347,366
Cash flows from investment activities		
Additions to property, plant and equipment	**(382,825)**	(468,909)
Proceeds from the sale of property, plant and equipment	**-**	9,100
Net cash used in investment activities	**(382,825)**	(459,809)
Cash flows from financing activities		
Financing costs paid	**-**	(268,668)
Lease obligations	**-**	125,854
Dividends paid	**-**	(14,990,271)
Net cash used in financing activities	**-**	(15,133,085)
Net change in cash on hand and banks balances	**5,741,610**	(3,245,528)
Cash on hand and banks balances at the beginning of the period	**25,061,902**	30,067,169
Cash on hand and banks balances at the ending of the period	**30,803,512**	26,821,641

The accompanying notes from (1) to (22) form an integral part of these condensed interim financial statements

1 - Organization and Activities

A- 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 Al-Awwal 8, 1398 AH (corresponding to February 16, 1978).

The company's main activity is in manufacturing of pipe.

B- The company's capital is set at SAR 150,000,000 with 15,000,000 equal-value nominal shares, with a par value of SR 10 for each, all of which are ordinary cash shares.

C- The company's headquarters is located at the following address:
Saudi Vitrified Clay Pipe Company
Riyadh - Second Industrial City - Road No. 182
P.O 6415
Zip Code 11442
Kingdom of Saudi Arabia

2 - Basis of preparing condensed interim financial statements

Statement of Compliance

These condensed Interim Financial Statements have been prepared in accordance with International Accounting Standard IAS 34 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by Saudi Organization for auditors and accountants and should be read in conjunction with the company's last annual Financial Statements for the year ended December 31, 2020 and they do not include all of the information normally required for a complete set of Financial Statements prepared in accordance with International Financial Reporting Standards, however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the company's last financial position and performance.

The Capital Market Authority in the Kingdom of Saudi Arabia decided that the options for using the revaluation model for property, plant, equipment and intangible assets in IAS (16) and IAS (38) respectively, and the option to use the fair value model for real estate investments in IAS No. 40) will be not permitted in use during the first three years of the transition date, starting from 2017 until 2019, for listed companies. During the year 2019, the Capital Market Authority announced the issuance of the Commission's Board decision that includes obligating listed companies to continue to use the cost model option to measure real estate and investment properties for financial years beginning before 2022.

Basis of measurement

Theses condensed interim financial statements have been prepared according to historical cost principle, going concern basis and the accrual basis of accounting. Another basis is used if the International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia and the other standards and pronouncements endorsed by the Saudi Organization of Auditors and Accountants require this, as indicated in the applicable accounting policies (note 4).

Accounting records

The company maintains regular accounting records on the computer and in the Arabic language.

Functional and presentation currency

These condensed interim financial statements are presented in Saudi Arabian Riyals which is the functional currency of the company and are rounded to nearest Saudi riyal.

2 - Basis of preparing condensed interim financial statements (continued)

Significant accounting estimates, assumptions, and judgment

Preparing condensed interim financial statements in accordance with international financial reporting standards endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Auditors and Accountants requires the use of some significant estimates, assumptions and judgments that affect the amounts of assets and liabilities presented and the disclosure of potential assets and liabilities at the date of preparing the condensed interim financial reports and the recorded amounts of revenues and expenses during the period of condensed interim financial reports. Estimates, assumptions and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. The company makes estimates, assumptions and judgments regarding the future. The resulting accounting estimates seldom equal the actual results.

Areas with a higher degree of judgment or estimation or areas of relative importance where estimates and assumptions have significant implications for the condensed interim financial statements are as follows:

Useful life, residual value, and depreciation and amortization method of property, plant and equipment and intangible assets

The company's management estimates the estimated useful life of property, plant and equipment and intangible assets. This estimate is determined after consider the expected use of the asset or damage and the natural obsolescence. Management reviews the useful life, residual value, and depreciation and amortization method of property, plant and equipment and intangible assets annually, whereby future depreciation and amortization is adjusted when management believes that the useful life, residual value or depreciation and amortization method is different from that used in previous periods.

Impairment of non-financial assets

The company's management periodically reviews the book value of non-financial assets to determine whether there is any indication that such assets may be subject to any impairment loss. If there is any indicator, the recoverable amount of assets is estimated to determine the extent of impairment loss. When it is not possible to estimate the recoverable amount of assets individually, the company estimates the recoverable amount of the cash generating unit to which the assets belong. If the amount of recoverable assets is estimated to be below its book value, the book value of the asset decreased to its recoverable value, and the impairment loss is recognized in the condensed interim statement of profit or loss.

Impairment of inventory

Inventory are stated at the lower of cost or net realizable value. When inventory is old or obsolete, an estimate is made for net realizable value. This estimation is performed in respect of each significant amount on a reasonable basis. Amounts which are not considered material for each inventory item, but which are old or obsolete, are assessed collectively and a provision is formed for them depending on the type of inventory and the degree of obsolescence or old based on historical selling prices.

Employee benefits

The costs of end-of-service plans for employees and the current value of end-of-service bonus obligations are determined by actuarial assessments. Actuarial assessments include assumptions that may differ from actual developments in the future. it includes determining the discount rate, future salary increases, mortality rate and future increases in pensions. Due to the complexities involved in the valuation and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed in the date of the condensed interim financial report.

3 - Changes in significant accounting policies

The accounting policies applied to these condensed interim financial statements are the same as those applied to the financial statements for the year ended December 31, 2020, as there are no new standards that were issued, however, a number of amendments to the standards are effective from January 1, 2021, which have been explained in the annual financial statements of the company, but it does not have a material effect on the condensed interim financial statements of the company.

4 - Summary of significant accounting policies

Property, plant and equipment

Property, plant and equipment are stated at cost less any accumulated depreciation and any impairment losses. The cost includes expenses directly attributable to the acquisition of property, plant and equipment. When parts of a property, plant and equipment item have different useful life, they are computed as a separate item (main component) of property, plant and equipment. Repair and maintenance expenses are considered as revenue expenses, while improvement expenses are considered capital expenditures. The depreciation is calculated on the basis of its estimated useful life using the straight-line method. The sold or disposed asset and its accumulated depreciation are removed from the accounting records at the date of sale or disposal.

The estimated useful life for the main items of these property, plant and equipment is as follows:

Description	Useful life	Description	Useful life
Buildings erected on leased land	16-30 years	Heavy equipment	10 years
Machinery and equipment	4-40 years	Computers and printers	5 years
Vehicles	4-5 years	Leasehold improvements	5 years or lease period whichever is lower
Furniture and fixtures	6 years	Spare parts	5 years

The useful life and depreciation method are reviewed periodically to ensure that the depreciation method and useful life are in line with the expected economic benefits from property, plant and equipment.

Intangible assets

Intangible assets acquired separately are recognized at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition.

After initial recognition, intangible assets are stated at cost less any accumulated amortization and any accumulated impairment losses, if any. Intangible assets produced internally, with the exception of development costs, are not capitalized, and expenses are recognized in the condensed interim statement of profit or loss when incurred.

The useful lives of intangible assets are estimated to be either finite or indefinite.

Intangible assets with finite useful lives

The amortization period and the amortization method for intangible assets with finite useful lives are reviewed at the end of each financial period. Changes in the expected useful life or the expected method of amortization of future economic benefits for the intangible assets are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense for intangible assets with finite useful lives is recognized in the condensed interim statement of profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives as follows:

Description	Useful life
Accounting system	5 years

4 - Summary of significant accounting policies (continued)

Intangible assets (continued)

Intangible assets with indefinite useful lives
Intangible assets with indefinite useful lives are not amortized, but are tested to ensure that there is no impairment in their value annually, either individually or at the cash-generating unit level. The assessment of indefinite useful life is reviewed annually to determine whether indefinite useful life is still a possibility. If it is not, the useful life is changed from indefinite to finite on a prospective basis.

Profit or loss resulting from derecognition of intangible assets is measured by the difference between the net proceeds of disposal and the carrying value of intangible assets, and is recognized in the condensed interim statement of profit or loss when the intangible assets are no longer recognized.

Financial instruments

Recognition and de-recognition
Financial assets and financial liabilities are recognized when the company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset have expired, or when the financial asset and all the risks and rewards have been materially transferred.

A financial liability is derecognized when it is amortized, disposed, canceled or expired.

Classification and Initial measurement of financial assets
All financial assets are initially measured at fair value adjusted for transaction costs (if any).
Financial assets - other than those designated and effective as hedging instruments - are classified into the following categories:

- Amortized cost.
- Fair value through profit or loss.
- Fair value through other comprehensive income.

The classification category is determined by:

- The company's business model for managing financial assets.
- Characteristics of the contractual cash flow of financial assets.

All income and expenses related to financial assets recognized in condensed interim statement of profit or loss are presented in finance income, finance cost, or other financial items.

4 - Summary of significant accounting policies (continued)
Financial instruments (continued)
Subsequent measurement of financial assets
Financial assets at the amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are maintained within a business model that aims to maintain financial assets and collect their contractual cash flows.
- The contractual terms of the financial assets result in cash flows limited to payments of principal and interest due to the amount of principal outstanding.

This category includes non-derivative financial assets such as loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, they are measured at amortized cost using the effective interest rate method. A discount is eliminated when the effect of the discount is not significant. Balances at banks and debtors that fall into this category of financial instruments.

Financial assets at fair value through profit or loss

Financial assets that are held within a different business model other than "hold for collection" or "hold for collection and sale" and financial assets whose contractual cash flows are not limited to principal payments and accrued interest are measured at FVTPL.

The fair value of financial assets in this category is determined by reference to an active market transaction or by using a valuation technique when there is no active market.

Financial assets at fair value through other comprehensive income

The company calculates financial assets at fair value through other comprehensive income if the assets fulfill the following conditions:

- It is held within a business model that aims to conserve in order to collect and sell associated cash flows.
- That the contractual terms of the financial assets result in cash flows limited to payments of principal and interest due on the amount of principal non-outstanding debt.

Gains or losses recognized in other comprehensive income will be transferred when the asset is derecognized.

Impairment of financial assets

The new impairment requirements of IFRS 9 use more forward-looking information to recognize the Expected Credit Loss (ECL) model.

Recognition of credit losses no longer depends on the company's initial determination of a credit loss event. Instead, the company takes into account more extent for the range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportive forecasts that affect the expected collectability of the future cash flows of the instrument.

When applying this prospective approach, a distinction is made between:

- Financial instruments not had a significant credit quality deterioration since initial recognition, or that have low credit risk (level 1).
- Financial instruments whose credit quality has significantly decreased since initial recognition and whose credit risk is not low (level 2).

level 3 covers financial assets that have objective evidence of impairment at the condensed interim reporting date. However, none of the company's assets fall into this category.

"12 months of expected credit losses" are recognized for the first category while "lifetime ECLs" are recognized for the second category.

The ECL is determined by estimating the likely probability of credit losses over the expected life of the financial instrument.

The company recognizes a 12-month expected credit loss for financial assets at FVOCI (if any). Since most of these instruments have good credit rating, the probability of their neutrality is low. However, at each reporting date, the company evaluates whether there has been a significant increase in the credit risk of the instrument.

4 - Summary of significant accounting policies (continued)

Financial instruments (continued)

Disposal of financial assets
The company dispose the financial assets only when the contractual rights to cash flows from the assets expire or it transfers the financial assets and the risks and rewards of ownership to another party. If the company does not transfer or retain substantially all the risks and rewards of ownership of the assets, then the company continues to recognize its share in the assets and liabilities associated with the financial assets to the amounts that it may have to pay.

Financial liabilities
Financial liabilities are classified either at amortized cost or at fair value through profit or loss.
All financial liabilities of the company have been classified and measured at amortized cost using the effective interest method. The company has no financial liabilities at fair value through profit or loss.

Inventory
Inventory is recorded at cost or net realizable value, whichever is the lower. Cost is determined using the weighted average method. The cost of inventory comprises all costs of purchases, costs of conversion and other cost incurred in the bringing the inventory to their present location and conditions. In the case of finished production and in-progress inventory, cost includes the appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Account receivables
Trade receivables are amounts due from customers for products sold in the ordinary course of business. Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for expected credit loss in value, which is recognized in the condensed interim statement of profit or loss.

Cash on hand and banks balances
Cash and cash equivalents comprise cash on hand and at banks with a maturity of three months or less, which are subject to an insignificant risk of changes in the value.

Defined employees' benefit plan obligations
- **End of service benefits**
  The end of service benefits provision is determined using the projected unit credit method, actuarial valuations being carried out at the end of annual reporting period. Remeasurements, comprising actuarial gains and losses, are recorded in the condensed interim statement of financial position with charge of expenses and credit amounts in the condensed interim statement of other comprehensive income in the period in which they occur. Remeasurements recognized in the condensed interim statement of other comprehensive income are recorded immediately in retained earnings and will not be reclassified to the condensed interim statement of profit or loss.

- **Retirement benefits**
  The company pays retirement contributions for its Saudi Arabian employees to the General Organization for Social Insurance. This represents a defined contribution plan. The payments made are expensed as incurred.

- **Short-term employee's benefits**
  A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

4 - Summary of significant accounting policies (continued)

Provisions

Provisions must be recognized when the company has a present obligation (legal or implicit) as a result of a past event, and it is probable that it will require an outflow of resources with economic benefits to settle this obligation, and that an estimate of the amount of the obligation can be made in a reliable manner.

When a recovery is expected (by a third party) for some or all of the expenditure required to settle a provision (e.g. through an insurance contract), The recovered amount is recognized only when it is certain that the recovered amount will be received if the entity settles the obligation, and this recovered amount is recognized as a separate asset. The expense relating to the provision is presented in the condensed interim statement of profit or loss, net of the amount recovered.

Accrued dividends

Dividend distribution to the company's shareholders is recorded as a liability when the dividends are approved. According to the Companies Law in the Kingdom of Saudi Arabia, distributions are approved upon approval by the shareholders or an authorization from the shareholders to the Board of Directors to distribute interim dividends to the shareholders of the company on a semi-annual or quarterly basis according to a decision of the Ordinary General Assembly and renewed annually. And that is in proportion to the company's financial position and cash flows. The corresponding amount is deducted directly from shareholders' equity

Zakat provision

Estimated zakat is an obligation on the company and it is recorded in the condensed interim financial statements by charging it to the condensed interim statement of profit or loss in accordance with the standard of zakat and the opinion issued by the Saudi Organization for Auditors and Accountants, where it is calculated for the year in estimation according to the accrual basis.

Zakat is computed at the end of the year on the basis of the adjusted net income or the Zakat base, whichever is greater, according to the regulations of the Zakat, Tax, and Customs Authority in the Kingdom of Saudi Arabia.

Differences between the provision and the final assessment are recorded in the year in which the assessment is received.

Revenue recognition

Revenue from the sale of goods is measured at the fair value of the cash consideration received or receivable from the sale of the goods in the company's normal course of business. The company recognizes revenue when control of the goods is transferred, or when the goods are delivered to the customer, and the control is transferred to customers, and there is no unfulfilled obligation that affects the customer's acceptance of those goods. Delivery takes place when the goods are shipped to the specified location and the risks of obsolescence and losses are transferred to the customer, and either the customer accepts the goods in accordance with the sales contract or with the acceptance provisions, or the company has objective evidence that all acceptance criteria are met.

Trade receivables are recognized when the goods are delivered, as this is the point in time at which this amount is unconditional, whereby only time is required before the payment is due.

Cost of sales

All expenses are recognized on an accrual basis, and operating costs are recognized on a historical cost basis. Production costs and direct manufacturing expenses are classified as cost of sales. This includes raw materials, direct labor and other related indirect costs. Other costs such as selling costs are recorded as selling and marketing expenses, while all other remaining costs are shown as general and administrative expenses.

Selling and marketing expenses

Selling and marketing expenses consist mainly of costs incurred in marketing and selling the company's products. All other expenses are classified as general and administrative expenses.

General and administrative expenses

General and administrative expenses consist of direct and indirect costs that are not related to cost of revenue. Expenses should be apportioned on a consistent basis between general and administrative expenses and cost of revenue - whenever necessary. These expenses mainly include employee costs, other benefits for employees, bonuses and allowances for board of directors, maintenance fees, rental expenses, insurance, professional fees, and other.

4 - Summary of significant accounting policies (continued)

Lease contracts

Leases are classified as finance leases when the risks and benefits of ownership are transferred substantially to the lessee under the terms of the lease contracts, and other types of lease contracts are classified as operating leases.

The company as a lessee

Financing leases that effectively transfer all the significant benefits and risks to property ownership to the company at the commencement of the lease are capitalized at the fair value on the acquisition date, or if less, at the present value of the minimum lease payments. Lease payments are apportioned between the financial cost and the reduction of the lease obligations to achieve a fixed commission rate on the remaining balance of the liabilities. Financial cost is recognized in finance costs in the condensed interim statement of profit or loss.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the company will acquire the ownership at the end of the lease term, the asset is depreciated during the estimated useful life of the asset or the contract period, whichever is less.

An operating lease is a lease contract that differs from a finance lease. Payments under operating leases are recognized as an operating expense in the condensed interim statement of profit or loss on a straight-line basis over the term of the lease.

The company is a lessor

Leases in which the company does not transfer all the risks and rewards of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating and preparing an operating lease contract are added to the book value of the leased asset and are recognized over the lease period on the same basis as the rental income recognition. Potential rents are recognized as income in the period in which they are earned.

Segment information

The business sector represents a group of assets and operations that jointly provide products or services that are subject to risks and returns that differ from those related to other business sectors, which are measured according to the reports used by the CEO and the main decision maker of the company.

The geographical sector is related to providing products in a specific economic environment that are subject to risks and returns that differ from those related to business sectors in economic environments.

(Loss) earnings per share

Basic (loss) earnings per share is calculated from net (loss) profit by dividing the net profit for the period by the weighted average number of shares outstanding at the end of the period. Basic earnings per share from main operations is calculated by dividing the net (loss) profit from main operations by the weighted average number of shares outstanding at the end of the period.

Foreign currency transactions

Transactions in foreign currencies are carried out into Saudi Riyals at the exchange rates prevailing at the time of the transaction. Monetary assets and liabilities in foreign currencies as of the date of the condensed interim statement of financial position are converted into Saudi riyals at the rates prevailing at the end of the year. Gains and losses arising from repayments or foreign currency exchange are included in the condensed interim statement of profit or loss.

Non-monetary items are not retranslated at the end of each year, but are measured at historical cost (converted using the exchange rates at the date of the transaction), with the exception of non-monetary items measured at fair value, which are converted using the exchange rates at the date on which the fair value was determined.

5 - Interim financial results for the period

The company's management has prepared all the adjustments that are material in order to present the condensed interim financial statements fairly as at June 30, 2021 and the results of its condensed interim operations for the period ending on that date. The condensed interim financial results for that period may not represent an accurate indication of the financial results for the entire year.

6 - Property, Plant and equipment, net

A- This item consists of the following:

	Buildings erected on leased lands SR	Machinery and equipment SR	Vehicles SR	Furniture and fixtures SR	Heavy equipment's SR	Computers and printers SR	Leasehold improvement SR	Spare parts SR	Total SR
Cost									
Balance as at January 1, 2021	99,764,856	407,165,359	3,949,207	3,061,300	5,935,825	135,075	1,351,640	7,907,945	529,271,207
Additions	-	382,825	-	-	-	-	-	-	382,825
Balance as at June 30, 2021	99,764,856	407,548,184	3,949,207	3,061,300	5,935,825	135,075	1,351,640	7,907,945	529,654,032
Accumulated depreciation									
Balance as at January 1, 2021	61,979,006	257,165,355	3,927,616	3,019,017	4,772,098	113,303	1,241,792	7,907,944	340,126,131
Charged for the period	1,039,944	5,153,540	14,556	14,251	148,615	4,392	27,924	-	6,403,222
Balance as at June 30, 2021	63,018,950	262,318,895	3,942,172	3,033,268	4,920,713	117,695	1,269,716	7,907,944	346,529,353
Net book value									
Balance as at June 30, 2021	36,745,906	145,229,289	7,035	28,032	1,015,112	17,380	81,924	1	183,124,679

6 - Property, Plant and equipment, net (continued)

A- This item consists of the following (continued):

	Buildings erected on leased lands SR	Machinery and equipment SR	Vehicles SR	Furniture and fixtures SR	Heavy equipment's SR	Computers and printers SR	Leasehold improvement SR	Spare parts SR	Total SR
Cost									
Balance as at January 1, 2020	99,764,856	406,950,024	4,013,402	3,061,300	6,082,381	134,320	1,351,640	7,907,945	529,265,868
Additions	-	215,335	-	-	428,944	755	-	-	645,034
Disposal	-	-	(64,195)	-	(575,500)	-	-	-	(639,695)
Balance as at December 31, 2020	99,764,856	407,165,359	3,949,207	3,061,300	5,935,825	135,075	1,351,640	7,907,945	529,271,207
Accumulated depreciation									
Balance as at January 1, 2020	59,899,118	246,703,020	3,948,210	2,986,095	4,980,934	103,210	1,185,944	7,907,944	327,714,475
Charged for the year	2,079,888	10,462,335	43,600	32,922	366,658	10,093	55,848	-	13,051,344
Disposal	-	-	(64,194)	-	(575,494)	-	-	-	(639,688)
Balance as at December 31, 2020	61,979,006	257,165,355	3,927,616	3,019,017	4,772,098	113,303	1,241,792	7,907,944	340,126,131
Net book value									
Balance as at December 31, 2020	37,785,850	150,000,004	21,591	42,283	1,163,727	21,772	109,848	1	189,145,076

B- The buildings costing SR 99,764,856 as at June 30, 2021 (December 31, 2020: SR 99,764,856) are located on land leased from the Saudi Authority for Industrial Citie: and Technical Zones (Modon) under operating leases on renewable terms.

C- The machinery and equipment as at June 30, 2021 includes assets that have been fully depreciated and are still operating at a cost of SR 155,769,737 (December 31, 2020 SR 154,676,187).

D- The spare parts item, which costs SR 7,907,945 as at June 30, 2021 (December 31, 2020: SR 7,907,945) represents strategic parts for machinery and equipment costin; SR 407,548,184 as at June 30, 2021 (December 31, 2020: SR 407,165,359).

E- All improvements costing SR 1,351,640 as at June 30, 2021 (December 31, 2020: SR 1,351,640) were made on premises leased under renewable operating leases.

7 - Intangible assets, net

A- The following is the movement of intangible assets:

	June 30, 2021 (Unaudited) SR	December 31, 2020 (audited) SR
Cost		
Balance as at beginning of the period / year	**1,711,060**	1,711,060
Balance as at ending of the period / year	**1,711,060**	1,711,060
Accumulated amortization		
Balance as at beginning of the period / year	**684,424**	342,212
Charged for the period / year	**171,106**	342,212
Balance as at ending of the period / year	**855,530**	684,424
Net book value	**855,530**	1,026,636

B- Intangible assets are represented in the company's accounting system program and amortized over 5 years.

8 - Right of use assets, net and lease obligations

A- This item consists of the following:

	Lands SR	Offices SR	Total SR
Cost			
Balance as at January 1, 2021	**5,511,650**	**1,265,085**	**6,776,735**
Balance as at June 30, 2021	**5,511,650**	**1,265,085**	**6,776,735**
Accumulated depreciation			
Balance as at January 1, 2021	**633,524**	**505,413**	**1,138,937**
Charged for the period	**159,082**	**126,508**	**285,590**
Balance as at June 30, 2021	**792,606**	**631,921**	**1,424,527**
Net book value			
Balance as at June 30, 2021 (unaudited)	**4,719,044**	**633,164**	**5,352,208**

	Lands SR	Offices SR	Total SR
Cost			
Balance as at January 1, 2020	5,475,183	1,261,979	6,737,162
Additions	36,467	3,106	39,573
Balance as at December 31, 2020	5,511,650	1,265,085	6,776,735
Accumulated depreciation			
Balance as at January 1, 2020	315,359	252,396	567,755
Charged for the year	318,165	253,017	571,182
Balance as at December 31, 2020	633,524	505,413	1,138,937
Net book value			
Balance as at December 31, 2020 (audited)	4,878,126	759,672	5,637,798

8 - Right of use assets, net and lease obligations (continued)

B- The depreciation of right of use assets is distributed as follows:

	June 30, 2021 (Unaudited) SR	June 30, 2020 (Unaudited) SR
Cost of sales	**159,081**	157,680
General and administrative expenses	**126,509**	126,198
	285,590	283,878

C- The following is the classification of lease obligations:

	June 30, 2021 (Unaudited) SR	December 31, 2020 (audited) SR
Lease obligations – noncurrent portion	**4,894,628**	4,786,791
Lease obligations – current portion	**668,065**	668,065

The total financing cost for the period ended in June 30, 2021 is SR 107,837 (June 30, 2020: SR 268,668).

Expenses related to short-term leases contracts for the period ended in June 30, 2021 is SR 16,500 (June 30, 2020: SR 16,500) (note 19).

The company has followed the policy of charging the financing cost to the condensed interim statement of profit or loss over the leasing period using the effective interest rate and the right of use asset was depreciated over the useful life of the asset or the lease period whichever is shorter on the basis of the fixed premium.

9 - Prepaid expenses and other assets

	June 30, 2021 (Unaudited) SR	December 31, 2020 (audited) SR
Advance payments to suppliers	**1,498,515**	900,770
Prepaid expenses	**1,058,339**	728,136
Refundable deposit	**247,409**	247,409
Employees advance	**14,901**	36,901
	2,819,164	1,913,216

10 - Inventory, net

A- This item consists of the following:

	June 30, 2021 (Unaudited) SR	December 31, 2020 (audited) SR
Spare parts	**19,933,969**	20,526,600
Work in process	**8,014,916**	9,565,524
Raw Materials	**6,936,901**	10,653,204
Accessories	**2,584,470**	2,659,838
Finished goods	**800,029**	1,006,795
Packaging inventory	**539,269**	294,435
	38,809,554	44,706,396
Provision for damaged, obsolete, and slow moving – B	**(2,002,105)**	(2,002,105)
	36,807,449	42,704,291

10 -Inventory, net (continued)

B- The following is the movement of provision for damaged, obsolete, and slow-moving inventory:

	June 30, 2021 (Unaudited) SR	December 31, 2020 (audited) SR
Balance, beginning of the period / year	**2,002,105**	7,910,309
Charged during the period / year	-	2,550,000
Write-off during the period / year	-	(8,458,204)
Balance, ending of the period / year	**2,002,105**	2,002,105

11 -Accounts receivable, net

A- This item consists of the following:

	June 30, 2021 (Unaudited) SR	December 31, 2020 (audited) SR
Account receivable	**74,032,744**	71,812,780
Provision for expected credit losses	**(16,472,044)**	(16,472,044)
	57,560,700	55,340,736

B- The following is the aging of receivable which are not impaired:

	June 30, 2021 (Unaudited) SR	December 31, 2020 (audited) SR
Up to 3 months	**35,205,071**	39,482,870
From 3 months up to 6 months	**8,985,291**	5,538,243
From 6 months up to one year	**8,517,062**	6,813,358
More than one year	**21,325,320**	19,978,309
	74,032,744	71,812,780

12 -Cash on hand and banks balances

	June 30, 2021 (Unaudited) SR	December 31, 2020 (audited) SR
Bank balances	**30,793,460**	25,060,132
Cash on hand	**10,052**	1,770
	30,803,512	25,061,902

13 -Statutory reserve

- According to Companies Law in the Kingdom of Saudi Arabia and the company by - laws, the company transfers 10% of the annual net profit to the statutory reserve, as this transfer continues until this reserve reaches 30% of the capital. The statutory reserve is not available for distribution as dividends to shareholders.

- The company has not formed statutory reserve due to its reaching 50% of the paid-up capital.

14 -Defined employees' benefits plan obligations

A- The company's policy state that the eligibility of the defined employee benefit plan obligation for all employees who complete the qualifying service period under the Labor Law in the Kingdom of Saudi Arabia.

The annual provision is based on the actuarial valuation. The most recent actuarial valuation was performed by an independent actuary, using the expected unit credit actuarial method.

14 -Defined employees' benefits plan obligations (continued)

B- The following is the movement of defined employees' benefits plan obligations:

	June 30, 2021 (Unaudited) SR	December 31, 2020 (audited) SR
Balance, beginning of the period / year	**16,771,895**	18,056,643
Recognized in the condensed interim statement of the profit or losses		
Interest cost and current service cost	**827,066**	1,705,700
Recognized in the condensed interim statement of other comprehensive income		
Actuarial losses	-	1,791,974
Paid during the period / year	**(2,320,153)**	(4,782,422)
Balance, ending of the period / year	**15,278,808**	16,771,895

15 -Accruals and other liabilities

A- This item consists of the following:

	June 30, 2021 (Unaudited) SR	December 31, 2020 (audited) SR
Accrued employees' benefits and salaries	**3,848,754**	3,630,153
Accruals to related parties - C	**1,429,085**	2,662,141
Other accrued expenses	**2,060,063**	1,826,444
	7,337,902	8,118,738

B- The related parties' balances represent the fees for attending meetings and bonuses for members of the Board of Directors in addition to salaries and other benefits for members of higher management.

C- The following is the balances due to the related parties:

Related party	**June 30, 2021 (Unaudited) SR**	December 31, 2020 (audited) SR
Board of Directors	**1,038,500**	2,042,000
Senior Management	**390,585**	620,141
	1,429,085	2,662,141

16 -Segment information

A- The company presents sector information based on the geographical division of sales, as the company has customers inside and outside the Kingdom of Saudi Arabia, as follows:

	June 30, 2021 (unaudited)		
	Inside KSA SR	**Outside KSA SR**	**Total SR**
Sales, net	**46,947,703**	**466,939**	**47,414,642**
Cost of sales	**(35,520,448)**	**(353,284)**	**(35,873,732)**
Gross profit	**11,427,255**	**113,655**	**11,540,910**

	June 30, 2020 (unaudited)		
	Inside KSA SR	Outside KSA SR	Total SR
Sales, net	67,368,680	1,211,350	68,580,030
Cost of sales	(44,395,533)	(798,272)	(45,193,805)
Gross profit	22,973,147	413,078	23,386,225

16 -Segment information (continued)

B- The company's net sales out of kingdom of Saudi Arabia are amounted to SR 466,939 for the period ended in June 30, 2021 which represents %0.01 from total company's sales (June 30, 2020: SR 1,211,350 which represents 0.02% from total company's sales).

17 -(Loss) earnings per share

Basic (loss) earnings per share from net (loss) profit is calculated by dividing the net (loss) profit for the period by the weighted average number of shares outstanding at the end of the period of 15 million shares. Basic (loss) earnings per share from main operations is calculated by dividing the net (loss) profit from main operations for the period by the weighted average number of shares outstanding at the end of the period of 15 million shares. The diluted (loss) earnings per share is the same as basic (loss) earnings per share in that the company does not have any convertible shares.

18 -Financial instruments, risk management and fair value

Fair value

The fair value represents the price that could be received as a result of selling an asset or that could be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that a transaction between the asset or a liability transfer takes place that takes place either:

- In the principal market for assets or liabilities, or
- In the absence of a primary market, in the most advantageous market for the assets or liabilities.

The fair value measurement of a non-financial asset takes into account the ability of market participants to achieve economic benefits by using the asset in the best possible way and the highest possible interest, or by selling it to another market participant who will use the asset in the best way and with the highest possible interest.

Fair values are classified into different levels in the fair value hierarchy based on the inputs used in the valuation methods as follows:

- Level one: the quoted market prices in active markets for the same financial instruments.
- Level two: valuation techniques that depend on inputs that affect the fair value and can be directly or indirectly observed in the market.
- Level three: Valuation techniques that depend on inputs that affect the fair value that cannot be directly or indirectly observed in the market.

Capital risk management

The company manages its capital to ensure that the company will continue as a going concern, while obtaining the highest return through the optimum level of debt and equity balances. The overall corporate strategy has not changed for the year 2020.

The company's capital structure includes the equity attributable to the shareholders of the company, which consists of capital, statutory reserves, and retained earnings as they are included in the condensed interim statement of changes in shareholders' equity.

Financial risk management

The company's activities may be exposed mainly to financial risks resulting from the following:

- *Foreign currency risk management*

  The company is not exposed to significant risks associated with changing foreign currencies, and therefore there is no need for effective management of this exposure.

- *Interest rate risk management*

  Financial instruments in the condensed interim statement of financial position are not subject to interest and interest rate risk.

18 -Financial instruments, risk management and fair value (continued)

Financial risk management (continued)

- *Credit risk management*
Credit risk is represented in the failure of one of the parties to the financial instrument contracts to fulfill its contractual obligations, which leads to the company incurring financial losses. The company is exposed to credit risk on its bank balances and receivables as follows:

	June 30, 2021 (Unaudited) SR	December 31, 2020 (audited) SR
Account receivables	**74,032,744**	71,812,780
Banks balances	**30,793,460**	25,060,132
	104,826,204	96,872,912

- *Liquidity Risk*
Liquidity risk is the difficulty that an entity will encounter in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value.

Liquidity risk is managed by monitoring it on a regular basis to ensure the availability of funds necessary to meet the future obligations of the company.

19 -Contingent liabilities and outstanding issues

A- The company has banking facilities in the form of letters of guarantee for government agencies by local banks as of June 30, 2021 for a total amount of SR 13,917 million (December 31, 2020: SR 13,917 million).

B- There are existing claims and financial claims by the company as follows:

- A lawsuit filed by the company (as the plaintiff) against the Commercial Services and Agencies Company Ltd. (as the defendant), it is related to the request of the Saudi Vitrified Clay Pipe Company to return the money owed by the Commercial Services and Agencies Company Ltd., amounting to SR 3,495,833, and after the date of preparing the condensed interim financial statements, the amount was approved by the financial expert in the favor of the company, awaiting the verdict.

- The company has financial claims in which Bin Samar Company claims an amount of SR 5,327,618. The financial claim was filed with the office that was appointed by the bankruptcy authority (Bassam Muhammad Al-Baqawi's office) which is following up on the financial reorganization of Bin Samar Company and accordingly, these financial claims have been fully approved by court.

- The company filed a financial claim in which the Qatari Diar Company claimed an amount of SR 2,915,784, and after the date of the condensed interim financial statements, the decision was made in favor of the company by the enforcement court for the full amount.

- The company has financial claims in which Azmeel company claims an amount of SR 194,630. The financial claim has been submitted to the Bankruptcy Committee (Ghassan Muhammad Al Majid Office) which is following up on the financial reorganization of Azmeel Company and accordingly, these financial claims have been approved in full.

- The company has financial claims demanding Al-Nowaiser Company for an amount of SR 312,000. The company has filed a lawsuit with the Commercial Court and the case is still under procedure and no final judgment has been issued on it.

19 -Contingent liabilities and outstanding issues (continued)

B- There are existing claims and financial claims by the company as follows (continued):

-The company has financial claims in which the Abdulaziz Al-Ghunaim Organization is claiming an amount of SR 993.002. The company has filed a lawsuit with the General Court and the case is still under procedure and no final judgment has been issued on it.

- The company has financial claims in which the Abdul Rahman Al Mufoz Organization demanded an amount of SR 725,000, and later on the date of the condensed interim financial statements the judgment was made in favor of the company by the enforcement court, where it obligated the defendant to pay the full amount.

The company has covered these amounts within the provision for expected credit losses.

C- The company has obligations for operating lease contracts that represent the minimum lease payments payable. The minimum amounts are not subject to cancellation in exchange for the rental of residential facilities.

	June 30, 2021 (Unaudited) SR	June 30, 2020 (Unaudited) SR
Within one year.	**33,000**	33,000
More than one year and less than five years	**363,000**	396,000

20 -Significant matters

Given what the world and the region is going through in terms of the outbreak of the new Corona virus (Covid-19) in various parts of the world, which is considered a global pandemic that may result in disruptions in commercial and economic activities at the global and internal levels of the Kingdom of Saudi Arabia, the company's management was unable to determine the future impact on the condensed interim financial statements and the results of its work regarding those events due to its relevance to the state's decisions and it is not possible to determine the extent of the end of this crisis, the management and those responsible for governance will continue to monitor the situation and provide shareholders with developments as required by the laws and regulations.

21 -Subsequent events

In the opinion of management, no significant subsequent events have occurred subsequent to the condensed interim financial statements or before issuance these condensed interim financial statements which require modification or disclosure.

22 -Approval of condensed interim financial statements

The condensed interim financial statements were approved by the Board of Directors after the recommendation of the members of the audit committee to approve them on 14 Dhul-Hijjah 1442 AH (corresponding to 24 July 2021).