المحاسبون المتحدون للاستشارات المهنية
Allied Accountants Professional Services

**Saudi Ceramic Company**
(Saudi Joint Stock Company)
Riyadh - Kingdom of Saudi Arabia

**Interim condensed consolidated financial statements (unaudited)**
**For the three and nine-month periods ending in September 30, 2022**
**and the independent auditor's report on the review of the condensed interim consolidated financial statements**

**Saudi Ceramic Company**
(Saudi Joint Stock Company)

**Interim condensed consolidated financial statements (unaudited) at review report**
**For the three and nine-month periods ended in September 30, 2022**

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

**To the shareholders of**
**Saudi Ceramic Company**
(Saudi Joint Stock Company)
Riyadh – Kingdom of Saudi Arabia

## Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi Ceramic Company, (Saudi Joint Stock Company) ("the Company"), and its subsidiary together (collectively referred to as "the Group") as of September 30, 2022, and the interim condensed consolidated statements of profit or loss and other comprehensive income for the three and nine-month periods ended in September 30, 2022, the statement of changes in equity, and interim condensed consolidated statement of cash flows for the nine-months period ended on that date. 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" 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 the International Standard on Review Engagements (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 condensed consolidated financial statements 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, as 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 as of September 30, 2022 are not prepared in all material respects, in accordance with International Accounting Standard (34) "Interim Financial Reporting", as endorsed in the Kingdom of Saudi Arabia.

**Allied Accountants Professional Service Company**

Mohammed Bin Farhan Bin Nader
License No. 435
Riyadh, Saudi Arabia
Rabi Al-Awwal 20, 1444 AH (corresponding to October 16, 2022).

المحاسبون المتحدون للاستشارات المهنية
س.ت ٤٠٣٠٢٢٨٧٧٣
C.R. 4030228773
Allied Accountants Professional Services

**Saudi Ceramic Company**
(Saudi Joint Stock Company)

**Interim condensed consolidated statement of financial position**
**As of September 30, 2022**
(In Saudi Riyals Thousand)

| | Note | September 30, 2022 (Unaudited) | December 31, 2021 (Audited) |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment, net | 7 | 1,619,324 | 1,640,698 |
| Right of use assets, net | | 76,847 | 71,567 |
| Investment in associate | | 8,492 | 9,011 |
| Financial assets at fair value through OCI | | 7,987 | 7,987 |
| **Total non-current assets** | | 1,712,650 | 1,729,263 |
| **Current assets** | | | |
| Inventory, net | | 949,273 | 731,481 |
| Accounts receivable, net, prepaid expenses, and other assets | | 375,700 | 293,479 |
| Cash and cash equivalents | | 43,356 | 109,646 |
| **Total current assets** | | 1,368,329 | 1,134,606 |
| **Total assets** | | 3,080,979 | 2,863,869 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 8 | 800,000 | 800,000 |
| Statutory reserve | | 241,715 | 241,715 |
| Fair value reserve | | 3,762 | 3,762 |
| Treasury shares | 9 | (2,663) | (3,870) |
| Retained earnings | | 662,444 | 630,112 |
| **Total equity attributable to the shareholders** | | 1,705,258 | 1,671,719 |
| Non-controlling interest | | 38,206 | 40,383 |
| **Total equity** | | 1,743,464 | 1,712,102 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Long-term loans, non-current portion | 11 – 1 | 274,896 | 422,678 |
| Lease liability, non-current portion | | 65,469 | 52,216 |
| Defined employees' benefit plan obligations | | 91,355 | 87,859 |
| **Total non-current liabilities** | | 431,720 | 562,753 |
| **Current liabilities** | | | |
| Short term loans | 11 – 2 | 132,686 | - |
| Long-term loans, current portion | 11 – 1 | 324,323 | 234,841 |
| Lease liability, current portion | | 8,202 | 13,902 |
| Accounts payable, accruals, and other liabilities | | 415,856 | 317,675 |
| Zakat provision | 12 | 24,728 | 22,596 |
| **Total current liabilities** | | 905,795 | 589,014 |
| **Total liabilities** | | 1,337,515 | 1,151,767 |
| **Total equity and liabilities** | | 3,080,979 | 2,863,869 |

The accompanying notes from (1) to (21) form an integral part of these condensed interim consolidated financial statements

| Abdulaziz Abdulkareem Alkhuraiji | Majid Abdullah Alissa | Waleed Al-Bassam |
|---|---|---|
| Vice Chairman of the Board | Chief Executive Officer | Chief Financial Officer |

Saudi Ceramic Company
(Saudi Joint Stock Company)

**Interim condensed consolidated statement of profit or loss and other comprehensive income**
**For the three and nine-month periods ended in September 30, 2022**
(In Saudi Riyals Thousand)

| | Note | For three months period ended in September 30 | | For nine months period ended in September 30 | |
|---|---|---|---|---|---|
| | | 2022 (Unaudited) | 2021 (Unaudited) | 2022 (Unaudited) | 2021 (Unaudited) |
| **Profit or loss** | | | | | |
| Revenues, net | 13 | 366,556 | 360,147 | 1,101,537 | 1,156,543 |
| Cost of revenues | | (250,115) | (242,378) | (757,561) | (754,346) |
| **Gross profit** | | 116,441 | 117,769 | 343,976 | 402,197 |
| Selling and marketing expenses | | (50,030) | (43,916) | (151,300) | (142,461) |
| General and administrative expenses | | (18,088) | (15,649) | (52,341) | (54,890) |
| Provision for expected credit loss | | (2) | (139) | (2,952) | (2,396) |
| **Net profit from main operations** | | 48,321 | 58,065 | 137,383 | 202,450 |
| Financing costs, net | | (6,045) | (5,708) | (14,934) | (17,410) |
| Other income | | 6,590 | 6,268 | 26,296 | 19,875 |
| Share of net (loss) profit of associate | | (621) | 28 | (518) | 347 |
| **Net profit for the period before zakat** | | 48,245 | 58,653 | 148,227 | 205,262 |
| Zakat | | (6,000) | (7,143) | (18,398) | (19,786) |
| **Net profit for the period** | | 42,245 | 51,510 | 129,829 | 185,476 |
| **Other comprehensive income** | | | | | |
| **Items not to be reclassified to profit or loss in** | | | | | |
| Remeasurement income (loss) on defined employees' benefit plan obligations | | - | - | 121 | (22) |
| **Total other comprehensive income for the** | | - | - | 121 | (22) |
| **Total comprehensive income for the period** | | 42,245 | 51,510 | 129,950 | 185,454 |
| Basic and diluted earnings per share (SAR) | 16 – 1 | 0.53 | 0.66 | 1.65 | 2.34 |
| **Net profit for the period attributed to:** | | | | | |
| Shareholders of the parent company | | 42,775 | 52,395 | 132,038 | 186,679 |
| Non-controlling interest | | (530) | (885) | (2,209) | (1,203) |
| **Total profit for the period** | | 42,245 | 51,510 | 129,829 | 185,476 |
| **Total Comprehensive income for the period attributed to:** | | | | | |
| Shareholders of the parent company | | 42,775 | 52,395 | 132,127 | 186,663 |
| Non-controlling interest | | (530) | (885) | (2,177) | (1,209) |
| **Total comprehensive income for the period** | | 42,245 | 51,510 | 129,950 | 185,454 |

The accompanying notes from (1) to (21) form an integral part of these condensed interim consolidated financial statements

| Abdulaziz Abdulkareem Alkhuraiji<br>Vice Chairman of the Board | Majid Abdullah Alissa<br>Chief Executive Officer | Waleed Al-Bassam<br>Chief Financial Officer |
|---|---|---|

**Saudi Ceramic Company**
(Saudi Joint Stock Company)

**Interim condensed consolidated statement of changes in equity**
**For the nine months period ended September 30, 2022**
(In Saudi Riyals Thousand)

| | Share capital | Statutory reserve | Fair value reserve | Treasury shares | Retained earnings | Total equity attributable to the shareholders | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|
| **For the nine months period ended September 30, 2021 (Unaudited)** | | | | | | | | |
| Balance as of January 1, 2021 | 600,000 | 218,336 | 3,521 | (11,008) | 674,474 | 1,485,323 | 43,892 | 1,529,215 |
| Net profit (loss) for the period | - | - | - | - | 186,679 | 186,679 | (1,203) | 185,476 |
| Other comprehensive income | - | - | - | - | (16) | (16) | (6) | (22) |
| **Total comprehensive income (loss) for the period** | - | - | - | - | 186,663 | 186,663 | (1,209) | 185,454 |
| Acquisition of non-controlling interest | - | - | - | - | 1,951 | 1,951 | (2,951) | (1,000) |
| Adjustments related to subsidiary | - | - | - | - | 4,132 | 4,132 | 1,461 | 5,593 |
| Issuance of treasury shares | - | - | - | 6,717 | - | 6,717 | - | 6,717 |
| Issuance of bonus shares | 200,000 | - | - | - | (200,000) | - | - | - |
| Dividend paid (note 10) | - | - | - | - | (59,068) | (59,068) | - | (59,068) |
| **Balance as of September 30, 2021** | 800,000 | 218,336 | 3,521 | (4,291) | 608,152 | 1,625,718 | 41,193 | 1,666,911 |
| **For the nine months period ended September 30, 2022 (Unaudited)** | | | | | | | | |
| Balance as of January 1, 2022 | **800,000** | **241,715** | **3,762** | **(3,870)** | **630,112** | **1,671,719** | **40,383** | **1,712,102** |
| Net profit for the period | - | - | - | - | 132,038 | 132,038 | (2,209) | 129,829 |
| Other comprehensive income for the period | - | - | - | - | 89 | 89 | 32 | 121 |
| **Total comprehensive income for the period** | - | - | - | - | 132,127 | 132,127 | (2,177) | 129,950 |
| Issuance of treasury shares | - | - | - | 1,207 | - | 1,207 | - | 1,207 |
| Dividend paid (note 10) | - | - | - | - | (99,795) | (99,795) | - | (99,795) |
| **Balance as of September 30, 2022** | **800,000** | **241,715** | **3,762** | **(2,663)** | **662,444** | **1,705,258** | **38,206** | **1,743,464** |

The accompanying notes from (1) to (21) form an integral part of these condensed interim consolidated financial statements

| Abdulaziz Abdulkareem Alkhuraiji | Majid Abdullah Alissa | Waleed Al-Bassam |
|---|---|---|
| Vice Chairman of the Board | Chief Executive Officer | Chief Financial Officer |

**Saudi Ceramic Company**
(Saudi Joint Stock Company)

**Interim condensed consolidated statement of cash flows**
**For the nine months period ended September 30, 2022**
(In Saudi Riyals Thousand)

| | For the nine months period ended September 30 | |
|---|---|---|
| | **2022 (Unaudited)** | 2021 (Unaudited) |
| **Cash flows from operating activities** | | |
| Net profit for the period before zakat | **148,227** | 205,262 |
| **Adjustments to reconcile net profit for the period before zakat to net cash provided by operating activities** | | |
| Depreciation of property, plant, and equipment | **87,565** | 86,585 |
| Gains on disposal of property, plant, and equipment | **(1,344)** | (1,033) |
| Amortization of intangible assets | **-** | 202 |
| Depreciation of right of use assets | **10,854** | 10,991 |
| Provision charged for expected credit losses | **2,953** | 2,396 |
| Provision used from charged for damaged, obsolete, and slow-moving inventory | **(1,949)** | 3,150 |
| Interest expense on lease obligations | **2,513** | 2,255 |
| Financing costs | **13,309** | 14,053 |
| Defined employees' benefit plan obligations charged | **8,393** | 8,644 |
| Share of (loss) profit of associate | **518** | (347) |
| | **271,039** | 332,158 |
| **Changes in operating assets and liabilities** | | |
| Accounts receivable, prepaid expenses, and other assets | **(85,571)** | 2,365 |
| Inventory, net | **(215,843)** | (47,420) |
| Account payable, accruals, and other liabilities | **98,840** | 57,467 |
| Defined employees' benefit plan obligations paid | **(4,777)** | (7,475) |
| Zakat paid | **(16,266)** | (32,178) |
| **Net cash provided by operating activities** | **47,422** | 304,917 |
| **Cash flows from investment activities** | | |
| Purchase of property, plant, and equipment | **(68,499)** | (105,932) |
| Proceeds from the disposal of property, plant, and equipment | **1,417** | 1,065 |
| Acquisition of non-controlling interest | **-** | (1,000) |
| Dividends received from associate | **398** | 397 |
| **Net cash used in investment activities** | **(66,684)** | (105,470) |
| **Cash flows from financing activities** | | |
| Net change in short-term loans | **132,686** | (10,263) |
| Net change in long-term loans | **(58,301)** | 6,945 |
| Dividend distributions paid | **(99,795)** | (59,068) |
| Issuing of treasury shares | **1,207** | 6,717 |
| Lease obligations paid | **(8,859)** | (15,483) |
| Financing costs paid | **(13,966)** | (16,367) |
| **Net cash used in financing activities** | **(47,028)** | (87,519) |
| **Net change in cash and cash equivalents** | **(66,290)** | 111,928 |
| Cash and cash equivalents at the beginning of the period | **109,646** | 68,689 |
| **Cash and cash equivalents at the ending of the period** | **43,356** | 180,617 |
| **Non-cash transactions** | | |
| Issuance of bonus shares | **-** | 200,000 |

The accompanying notes from (1) to (21) form an integral part of these condensed interim consolidated financial statements

| Abdulaziz Abdulkareem Alkhuraiji | Majid Abdullah Alissa | Waleed Al-Bassam |
|---|---|---|
| Vice Chairman of the Board | Chief Executive Officer | Chief Financial Officer |

## 1 - Organization and Activities

A- Saudi Ceramic Company ("Company") is a Saudi joint stock company established by Royal Decree No. (M/16) on Rabi Thani 25, 1397AH (corresponding to April 14, 1977), registered in the Kingdom of Saudi Arabia under the Commercial Register No. 1010014590 issued in Riyadh in Safar 15, 1398 AH (corresponding to January 24, 1978).

The Company is engaged in the production and sale of ceramic products, water heaters and their components, The Company is also involved in the import of related machinery, equipment, and other accessories.

B- The condensed interim consolidated financial statements as of September 30, 2022 include the activities of the parent company and the following subsidiaries (the company and its subsidiaries hereinafter shall be referred to as the "Group").

| | | Ownership percentage as at | |
|---|---|---|---|
| **Subsidiary company** | **Main operation** | **Sep 30, 2022** | Dec 31, 2021 |
| Ceramics pipes company | Import and export, wholesale and retail trading of clay pipes | **73.89%** | 73.89% |
| Arzan company * | Operation and maintenance | **100%** | 100% |
| Ceramics investment Company * ** | Marketing services, wholesale and retail trading | **98.694%** | 98.694% |

* These companies did not start commercial operations on date of their establish until 30 September 2022.

** The ownership percentage of the Saudi Ceramic Company is represented in the Ceramic Investment Company "98.694%", and the ownership percentage consists of 95% directly and 3.694% indirectly, which is the percentage of ownership through the Ceramic Pipes Company.

C- The interim condensed consolidated financial statements represent the assets, liabilities and operations' results for the main and sub-commercial registration, also including the assets and liabilities and operations' results for the subsidiaries, Ceramics pipes company (a closed joint stock company), Arzan company (a limited liability company), Ceramics investment company (a limited liability company), (the company and its subsidiaries hereinafter referred to as the "Group").

The performance of the Group for the nine-month period ended September 30, 2022, is not necessarily accurate indicative of the results that may be expected for the financial year ending December 31, 2022.

D- The company's headquarter is located at the following address:
Saudi Ceramic Company
Riyadh – Al-Olayya District – King Fahad Road
P.O 3893 Zip Code 11481
Kingdom of Saudi Arabia

## 2 - Basis of preparing interim condensed consolidated financial statements

### Statement of Compliance

These Interim condensed consolidated 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 the Saudi Organization for Chartered and Professional Accountants and should be read in conjunction with the company's last annual Financial Statements for the year ended December 31, 2021 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 consolidated financial position and consolidated performance.

### Basis of consolidation of condensed interim financial statements

The accompanying interim condensed consolidated financial statements include the financial statements of the company and its subsidiaries as set out in (note 1). A subsidiary is an entity controlled by the parent company. Control is achieved when the parent company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. To estimate control, the potential voting rights currently exercised are considered. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control started.

### Basis of measurement

These interim condensed consolidated financial statements have been prepared according to the 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 for Chartered and Professional Accountants require this, as indicated in the applicable accounting policies (note 4).

### Functional and presentation currency

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

### Significant accounting judgment, estimates, and assumptions.

Preparing interim condensed consolidated financial statements in accordance with International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements Supplementary to the International Standards endorsed by the Saudi Organization for Chartered and Professional 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 interim condensed consolidated financial reports and the recorded amounts of revenues and expenses during the period of condensed interim consolidated 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.

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

**Significant accounting judgment, estimates, and assumptions (continued).**
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 method of property, plant, and equipment.*
The group management estimates the estimated useful life of property, plant, and equipment. This estimate is determined after considering the expected use of the asset or damage and the natural obsolescence. Management reviews the useful life, residual value, and depreciation method of property, plant, and equipment annually, whereby future depreciation is adjusted when management believes that the useful life, residual value, or depreciation method is different from that used in previous periods.

*Impairment of non-financial assets*
The group 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 group 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 consolidated statement of profit or loss.

*Impairment of receivables*
An estimate of the collectible amount of accounts receivable is made when it is not possible to collect the full amount. For individually significant amounts, this estimation is performed on an individual basis. Amounts that are not individually significant and overdue are assessed collectively, and a provision is formed for them according to the length of time overdue.

*Impairment of inventory*
Inventory is stated at the lower of cost or net realizable value. When inventory is slow moving 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 that are not considered material for each inventory item, but which are slow moving or obsolete, are assessed collectively and a provision is formed for them depending on the type of inventory and the degree of obsolescence based on historical selling prices.

*Employee benefits*
The costs of end-of-service plans for employees and the current value of end-of-service benefit 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 on the date of the condensed interim financial statements.

## 3 - Changes in significant accounting policies

The accounting policies applied to these condensed interim consolidated financial statements are the same as those applied to the condensed interim consolidated financial statements for the year ended December 31, 2021, as there are no new standards that were issued, however, a number of amendments to the standards are effective from January 1, 2022, which have been explained in the annual financial statements of the company, but it does not have a material effect on the condensed interim consolidated financial statements of the group.

## 4 - Summary of significant accounting policies

The following is a summary of the significant accounting policies followed by the Group:

### 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 have a 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 (years) |
|---|---|
| Buildings | 10-33.33 |
| Machinery and equipment | 20-30 |
| Vehicles | 4-6.66 |
| Furniture and fixtures | 6.66-10 |
| Leasehold improvements | 4 years or lease period whichever is lower |
| Spare parts | 5-10 |

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.

### Right of use assets and leases obligations

The Group has recognized new assets and liabilities for its operating leases for various types of contracts including office lands and showroom buildings. Each rental payment is apportioned between the liability and the finance cost. The finance cost is charged to the condensed interim consolidated statement of profit or loss over the lease term so that a constant periodic rate of interest is achieved on the remaining balance of the liability for each period. The right of use asset is amortized over the useful life of the asset or the lease term, whichever is shorter, on a straight-line basis.

The assets and liabilities arising from the lease contract are initially measured on the basis of the present value of the unpaid lease payments on the inception date of the contract, and the incremental borrowing rate of the group is used.

### Investments in associates

An associate is an entity over which the group exerts significant influence and is not a subsidiary or joint venture. The investment in the associate is accounted for under the equity method, whereby the investment in the associate is recognized in the consolidated statement of financial position at cost adjusted for changes in the group's share of net assets of the associate, less any impairment in value. Any reversal of an impairment loss is recognized within the range in which the recoverable amount of the investment subsequently increases. When the group reduces its ownership interest in an associate but continues to use the equity method, it reclassifies it to the condensed interim consolidated statement of profit or loss.

## 4 - Summary of significant accounting policies (Continued)

### Financial instruments

**Recognition and de-recognition**
Financial assets and financial liabilities are recognized when the group 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 group'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 the condensed interim consolidated statement of profit or loss are presented in finance income, finance cost or other financial items.

**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 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

## 4 - Summary of significant accounting policies (continued)

### Financial instruments (continued)

**Financial assets at fair value through other comprehensive income**
The group 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 condensed interim consolidated 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 Group's initial determination of a credit loss event. Instead, the group considers 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 group recognizes a 12-month expected credit loss for financial assets measured 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 group evaluates whether there has been a significant increase in the credit risk of the instrument.

**Disposal of financial assets**
The group 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 group 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 group have been classified and measured at amortized cost using the effective interest method. The group has no financial liabilities at fair value through condensed interim consolidated statement of profit or loss.

## 4 - Summary of significant accounting policies (continued)

### 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

Account receivables are amounts due from customers for products sold in the ordinary course of business. Account 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 consolidated statement of profit or loss.

### Cash and cash equivalents

Cash and cash equivalents includes bank balances, cheques in hand and running deposits under profit accounts. It also includes bank overdrafts as per Group's cash management strategy and they are likely to fluctuate from overdrawn to positive balances

### Related parties

A related party is a person or entity related to the company, and a related person is if he has control or significant influence over the company or is a member of the main management, and the entity is related if the entity is a member of the same group as a parent company, subsidiary, associate or related company joint venture, or both entities are joint ventures of a third party. Transaction with related parties transfer of resources, services, or obligations between the company and the related party, regardless of whether the price is charged. Key management personnel are the authorized and responsible persons for planning and management, and they have direct or indirect control over the operations of the company, including the managers.

### Loans

Loans are recognized initially at fair value (represented in proceeds received) after deducting transaction costs incurred, if existed. After the initial recognition, loans are recognized at amortized cost using effective interest rate method. Any differences between the proceeds (after deducting transaction costs) and recoverable amount are recognized as profit or loss on the loan term using effective interest rate method.

Loans are classified as current liabilities as long as the group does not have a provisional right to delay settling the obligation for a period not less than 12 months after the report date.

### Borrowing costs

All borrowing costs are recognized as an expense in the statement of profit or loss in the period in which they are incurred.

### Employees' benefits

- **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 consolidated statement of financial position with charge of expenses and credit amounts in the interim condensed statement of other comprehensive income in the period in which they occur. Remeasurements recognized in the condensed interim consolidated statement of other comprehensive income are recorded immediately in retained earnings and will not be reclassified to the condensed interim consolidated statement of profit or loss.

## 4 - Summary of significant accounting policies (continued)

### Employees' benefits (continued)

- **Retirement benefits**
  The group pays retirement contributions for its Saudi 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.

### Provisions

Provisions must be recognized when the group 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 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 consolidated statement of profit or loss, net of the amount recovered.

### Account payables and accruals

liabilities are recognized against amounts to be paid in the future for the goods or services received, whether or not they are provided with invoices by suppliers.

### Accrued dividends

Dividend distribution to the Group'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 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 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 Group and it is recorded in the condensed interim consolidated financial statements by charging it to the condensed interim consolidated statement of profit or loss in accordance with the standard of zakat and the opinion issued by the by the Saudi Organization for Chartered and Professional 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.

### Withholding tax

The group collects taxes on transactions for services with non-resident parties in the Kingdom of Saudi Arabia and on dividends paid to non-resident shareholders in accordance with the regulations of the Zakat, tax and customs Authority in the Kingdom of Saudi Arabia.

## 4 - Summary of significant accounting policies (continued)

### Value added Tax

Value-added tax has been applied in the Kingdom of Saudi Arabia, starting from January 1, 2018 (Rabi` al-Thani 14, 1439 AH). It is a tax on the supply of goods and services that the final consumer ultimately bears but is collected at every stage of the production and distribution chain as a general principle, therefore; the value-added tax treatment in the Group's accounts must reflect its role as a tax collector, and VAT should not be included in income or expenditures, whether of a capital or revenue nature. However, there will be circumstances in which the group will bear VAT, and in such cases where the VAT is not refundable, it must be included in the cost of the product or service

### Revenue recognition

Revenue is measured based on consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

The group recognizes revenue when it transfers control over a product or service to a customer. The principles in IFRS 15 are applied using the following five steps:

1- Defining the contract with the customer: A contract is defined as an agreement between two or more parties that creates enforceable rights or obligations and defines the criteria that must be met.

2- Defining performance obligations in the contract: A performance obligation is a promise with a customer to transfer a good or provide a service.

3- Determining the transaction price: the transaction price is the amount of consideration that the group expects to achieve in return for transferring the promised goods or services to the customer, excluding the amounts collected

4- Allocate transaction price to performance obligations in the contract: For a contract that contains more than one performance obligation, the group will allocate the transaction price to each performance obligation in an amount that specifies the amount of consideration that the group makes, specifying the amount of consideration that the group expects to receive in exchange for fulfillment with all commitment.

5- Recognize revenue when (as) the entity satisfies the performance obligation.

Revenue is recognized when the performance obligations are fulfilled and that is when the service is provided to the customer. Performance commitment is a promise to provide service to the customer. Upon fulfillment of performance obligations, revenue is recorded at the fair value of the benefit provided, and any amounts collected on behalf of any external parties and any price discounts are excluded from the service price.

### Cost of revenue

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 group'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 the board of directors, maintenance fees, rental expenses, insurance, professional fees, and other.

## 4 - Summary of significant accounting policies (continued)

### Contingent Liability

A contingent liability is disclosed when the Group has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Group; or the Group has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

### 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 group.

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.

### Earnings per share

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

### Foreign currency transactions

Transactions in foreign currencies are translated 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 preiod. 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 group management has prepared all the adjustments that are material in order to present the condensed interim consolidated financial statements fairly as at September 30, 2022 and the results of its condensed interim consolidated operations for the period ending on that date. The condensed interim consolidated financial results for that period may not represent an accurate indication of the financial results for the entire year.

(In Saudi Riyals Thousand)

## 6 - Operating segments

### 6-1 Information about reportable segments

| | Ceramic tiles and sanitary ware | Water heaters | Ceramic pipes | Total |
|---|---|---|---|---|
| **For the nine-month period ended September 30, 2022 (Unaudited)** | | | | |
| External revenues | **829,496** | **258,546** | **13,495** | **1,101,537** |
| Inter-segment revenue | **32,474** | - | - | **32,474** |
| Segment profit / (loss) before zakat (Note 6-2) | **128,160** | **27,308** | **(7,241)** | **148,227** |
| **As of 30 September 2022 (Unaudited)** | | | | |
| Segment assets | **2,496,480** | **339,697** | **244,802** | **3,080,979** |
| Segment liabilities | **1,031,030** | **200,385** | **106,100** | **1,337,515** |
| **For the nine-month period ended 30 September 2021 (Unaudited)** | | | | |
| External revenues | 821,564 | 309,633 | 25,346 | 1,156,543 |
| Inter-segment revenue | 20,290 | - | - | 20,290 |
| Segment profit (loss) before zakat (Note 6-2) | 155,054 | 53,174 | (2,966) | 205,262 |
| **As of 31 December 2021 (Audited)** | | | | |
| Segment assets | 2,340,062 | 276,367 | 247,440 | 2,863,869 |
| Segment liabilities | 856,136 | 195,231 | 100,400 | 1,151,767 |

### 6-2 Reconciliation of reportable segments profit or loss

| | For the nine-month period ended | |
|---|---|---|
| | **30 Sep 2022 (unaudited)** | 30 Sep 2021 (unaudited) |
| Total profit before zakat from reportable segments | **148,745** | 204,915 |
| Share of profit of associate, net of zakat | **(518)** | 347 |
| | **148,227** | 205,262 |

### 6-3 Seasonality of operations

The electric water heater segment of the Group is subject to seasonal fluctuations due to changes in the seasons. In particular, the use of electric water heaters is negatively affected during the summer season (from April to September), and the group tries to reduce the seasonal impact by managing inventory. However, this sector usually has lower returns and profits for the second and third quarters of each year.

During the twelve months ending on September 30, 2022, the water heater sector recorded revenues of 335 million Saudi riyals (The twelve months ended September 30, 2021: 418 million Saudi riyals) and the sector achieved during the twelve months a net profit before zakat amounting to 40 million Saudi riyals (the twelve months ended September 30, 2021: 65.89 million Saudi riyals).

(In Saudi Riyals Thousand)

## 7- Property, plant and equipment, net

- During the nine-month period ended 30 September 2022, the Group acquired property, plant, and equipment including capital work-in-progress with a cost of SAR 68.5 million (nine-month period ended 30 Sep 2021: SAR 105.9 million).
- During the nine-month period ended 30 September 2022, the Group disposed the property, plant, and equipment with a carrying amount of SAR 72,814 (nine-month period ended 30 September 2021: SAR 32,328) which resulted in a gain of SAR 1.34 million (nine-month period ended 30 September 2021: gain of SAR 1 million) and these gains are included in the "other income" in the condensed Interim consolidated statement of comprehensive income.

## 8- Share Capital

| | **Sep 30, 2022 (Unaudited)** | Dec 31, 2021 (audited) |
|---|---|---|
| Authorized ordinary shares of SR 10 each (Shares in "000") | **80,000** | 80,000 |
| Fully paid ordinary shares of SR 10 each (Shares in "000") | **80,000** | 80,000 |
| Value of issued ordinary shares each (SAR "000") | **800,000** | 800,000 |

## 9- Treasury shares

The group previously purchased 500,000 treasury share during 2019 to distribute to the employee, according to the plan approved by the Board of Directors. During the nine-month period ended September 30, 2022, the Group transferred treasury shares amounting to SAR 1.2 million for cash received and the shares were immediately transferred. No gain or loss was recognized in this transaction and the cash consideration received was the average cost of the shares disposed of.

## 10- Dividend distributions

The Board of Directors of the Saudi Ceramic Company decided in its meeting held on February 16, 2022 (corresponding to Rajab 15, 1443AH) to approve the distribution of cash dividends to the company's shareholders for the second half of the year 2021 by the amount SAR 59.87 million.

Further, The Board of Directors of the Saudi Ceramic Company decided, in their meeting held on July 07, 2022, (corresponding to Dhul Hijjah 8, 1443AH) to approve the distribution of cash dividends to the Company's shareholders for the first half of the year 2022 by the amount SAR 39.9 million.

## 11- Loans

### 11-1 Long-term Loans

| | **Year of maturity** | **September 30, 2022 (Unaudited)** | December 31, 2021 (audited) |
|---|---|---|---|
| Balance, beginning of the period / year | | **657,519** | 664,960 |
| Receipts during the period / year | | **47,538** | 525,551 |
| Payments during the period / year | | **(105,838)** | (533,062) |
| Transfer from bank charges | | **-** | 70 |
| **Balance, ending of the period / year** | **2025** | **599,219** | 657,519 |
| **current portion** | | **324,323** | 234,841 |
| **non-current portion** | | **274,896** | 422,678 |

### 11-1-1 Loan covenants

The loan agreements (among other things) contain terms related to the Group's commitment to certain ratios and financial terms. As of September 30, 2022, Ceramics pipes company (subsidiary company) did not comply with some of the terms of the loan agreements and accordingly the non-current portion of the loan was reclassified to current liabilities.

## 11- Loans (continued)

### 11-2 Short term loans

Short term loans represent Islamic Murabaha loans granted to the Group by local commercial banks, loans charges are determined based on the basis of market prices. These loans are guaranteed by promissory notes in favor of the banks for the loan exposure. During the nine-month period ended 30 Sep 2022, SAR 132.6 million (December 31, 2021: SAR zero). Short term loans were received and no repayment were made during the period ended 30 Sep 2022.

## 12- Zakat provision

The following is the zakat position of the Saudi Ceramic Company and its subsidiaries:

Saudi ceramic company

The company ended it's zakat assessment till 2018 and submitted zakat returns to the Zakat, Tax, and Customs Authority for all previous years since its establishment until the year ended December 31, 2021, and obtained the required certificates for those years.

During the month of November 2021, the company received zakat assessments for the years 2019 and 2020 from Zakat, Tax, and Customs Authority with amount of SAR 1.98 million, company paid the full assessment amount in January 2022. Company has objected to zakat assessments and the objection is still under review by the authority.

Ceramics investment Company

The company submitted zakat returns to the Zakat, Tax, and Customs Authority for all previous years since its establishment until the year ended December 31, 2021, and obtained the required certificates for those years. The company didn't receive any zakat assessment until the date of preparing financial statements.

Arzan company

The company submitted zakat returns to the Zakat, Tax, and Customs Authority for all previous years since its establishment until the year ended December 31, 2021, and obtained the required certificates for those years. The company didn't receive any zakat assessment until the date.

Ceramics pipes company

The company ended it's zakat assessment till 2012 and submitted zakat returns to the Zakat, Tax, and Customs Authority for all years since 2013 till 2021 and obtained the required certificates for those years. The company didn't receive any zakat assessment from 2013 till 2021 until the date.

(In Saudi Riyals Thousand)

## 13- Revenues

The Group's operations and main revenue streams are same as those described in the Group's consolidated financial statements for the year ended 31 December 2021. The Group's revenues are derived from contracts with customers and control of the products is transferred at a point in time when the goods are delivered to customers.

**Classification of revenue from contracts with customers**

The group derives revenue from the transfer of goods (at a point in time) in the following major product lines and geographical regions:

| | For the nine-month period ended 30 September 2022 (Unaudited) | | | |
|---|---|---|---|---|
| | **Ceramics tiles and sanitary ware** | **Water heaters** | **Ceramic pipes** | **Total** |
| Segment revenue | **861,970** | **258,546** | **13,495** | **1,134,011** |
| Inter-segment revenue | **(32,474)** | - | - | **(32,474)** |
| Revenue from external customers | **829,496** | **258,546** | **13,495** | **1,101,537** |
| **Primary geographical markets** | | | | |
| Local | **800,039** | **210,001** | **13,495** | **1,023,535** |
| External | **29,457** | **48,545** | - | **78,002** |
| | **829,496** | **258,546** | **13,495** | **1,101,537** |
| **Timing of revenue recognition** | | | | |
| At point in time | **829,496** | **258,546** | **13,495** | **1,101,537** |

| | For the nine-month period ended 30 September 2021 (Unaudited) | | | |
|---|---|---|---|---|
| | **Ceramics tiles and sanitary ware** | **Water heaters** | **Ceramic pipes** | **Total revenue** |
| Segment revenue | 841,854 | 309,633 | 25,346 | 1,176,833 |
| Inter-segment revenue | (20,290) | - | - | (20,290) |
| Revenue from external customers | 821,564 | 309,633 | 25,346 | 1,156,543 |
| **Primary geographical markets** | | | | |
| Local | 800,083 | 246,044 | 25,346 | 1,071,473 |
| External | 21,481 | 63,589 | - | 85,070 |
| | 821,564 | 309,633 | 25,346 | 1,156,543 |
| **Timing of revenue recognition** | | | | |
| At a point in time | 821,564 | 309,633 | 25,346 | 1,156,543 |

(In Saudi Riyals Thousand)

## 14- Financial Instruments

### 14-1 Accounting classification and fair values

The following table shows the carrying amounts and fair values of the group's financial assets and financial liabilities, including their levels in the fair value hierarchy. For the financial assets and financial liabilities not measured at fair value and having a short-term maturity, it is assumed that the carrying amounts approximate their fair values. Therefore, it does not include fair value information for these financial instruments. This includes cash and cash equivalents, trade and other receivables, loans, and Account payables.

| | Carrying amount | | | Fair Value | | | |
|---|---|---|---|---|---|---|---|
| | Financial assets at FVTOCI | Amortized cost | Total | Level 1 | Level 2 | Level 3 | Total |
| **As at 30 September 2022 (Unaudited)** | | | | | | | |
| **Financial assets** | | | | | | | |
| Financial assets at FVTOCI | 7,987 | - | 7,987 | - | - | 7,987 | 7,987 |
| Account receivables, prepaid expenses and other assets | - | 375,700 | 375,700 | - | - | - | - |
| Cash and Cash equivalents excluding cash in hand | - | 42,348 | 42,348 | - | - | - | - |
| | 7,987 | 418,048 | 426,035 | - | - | 7,987 | 7,987 |
| **Financial liabilities** | | | | | | | |
| Short-term loans | - | 132,686 | 132,686 | - | - | - | - |
| Long-term loans | - | 599,219 | 599,219 | - | - | - | - |
| Account payables | - | 335,898 | 335,898 | - | - | - | - |
| | - | 1,067,803 | 1,067,803 | - | - | - | - |

(In Saudi Riyals Thousand)

14- **Financial Instruments (continued)**

**14-1 Accounting classification and fair values (continued)**

| | Carrying amount | | | Fair Value | | | |
|---|---|---|---|---|---|---|---|
| | **Financial assets at FVOCI** | **Amortized cost** | **Total** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **As at December 31, 2021 (Audited)** | | | | | | | |
| **Financial assets** | | | | | | | |
| Financial assets at FVTOCI | 7,987 | - | 7,987 | - | - | 7,987 | 7,987 |
| Account receivables, prepaid expenses and other assets | - | 293,479 | 293,479 | - | - | - | - |
| Cash and Cash equivalents excluding cash in hand | - | 109,150 | 109,150 | - | - | - | - |
| | 7,987 | 402,629 | 410,616 | - | - | 7,987 | 7,987 |
| **Financial liabilities** | | | | | | | |
| Short-term loans | - | - | - | - | - | - | - |
| Long-term loans | - | 657,519 | 657,519 | - | - | - | - |
| Account payables | - | 229,371 | 229,371 | - | - | - | - |
| | - | 886,890 | 886,890 | - | - | - | - |

**14-2 Transfers between levels of fair value hierarchy**

There were no transfers between levels of fair value hierarchy in either direction during the nine-month period ended 30 September 2022. There were also no changes made to any of the valuation techniques applied as of 31 December 2021.

(In Saudi Riyals Thousand)

## 14- Financial Instruments (continued)

### 14-3 Level 3 Fair Value

The following table shows table a reconciliation from the opening balances to the closing balances for level 3 fair values for recurring fair value measurements.

**Financial assets at FVOCI**

| | **September 30, 2022 (Unaudited)** | December 31, 2021 (audited) |
|---|---|---|
| Balance, beginning of the period/year | **7,987** | 7,746 |
| Unrealized gain recognized in OCI | - | 241 |
| **Balance, ending of the period/year** | **7,987** | 7,987 |

## 15- Related party transactions and balances

There are transactions incurred during the year with related parties within the normal business of the group and with the approval of the Board of Directors, and the Board of Directors believes that the conditions of those transactions do not differ materially from any other transactions that the management made with any third party,

A- Due to related parties' balances as follow:

| | **September 30, 2022 (Unaudited)** | December 31, 2021 (audited) |
|---|---|---|
| AXA Cooperative Insurance Company | **125** | 94 |
| Natural Gas Distribution Company | **3,655** | 3,815 |
| | **3,780** | 3,909 |

B- The significant transactions with related parties are as follows:

| **Related Party** | **Nature of relationship** | **Nature of transaction** | **30 September 2022 (Unaudited)** | 30 September 2021 (Unaudited) |
|---|---|---|---|---|
| Natural Gas Distribution Company | Associate | Purchase of goods and services | **31,685** | 40,646 |
| | | Dividend received | **397** | 396 |
| AXA Cooperative Insurance Company | Affiliate | Insurance services | **10** | - |
| Chubb Arabia Cooperative Insurance | Affiliate | Insurance services | **26** | - |

## 16. Earning per share

### 16-1 Basic earnings per share

Basic earnings per share is calculated by dividing the following net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the period.

| | For the nine-month period ended | |
|---|---|---|
| | **September 30, 2022 (Unaudited)** | September 30, 2021 (Unaudited) |
| Profit for the period attributable to the shareholders (SAR "000") | **132,038** | 186,679 |
| Weighted average number of shares (Shares in "000") | **79,796** | 79,683 |
| Basic and diluted earnings per share (SR) | **1.65** | 2.34 |

## 16. Earning per share (continued)

### 16-1 Basic earnings per share (continued)

#### 16-1-1 Number of shares

Weighted average number of shares are adjusted to take account of Treasury Shares. (Note-9).

### 16-2 Diluted earnings per share

The calculation of diluted earnings per ordinary share is based on net profit attributable to ordinary shareholders of the Group and weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares. There were no potentially dilutive shares outstanding at any time during the period ended September 30, 2022.

## 17. 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 considers 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.

The Group's management believes that the fair value of the group's financial assets and liabilities is not materially different from their carrying value.

### Capital risk management

The Group manages its capital to ensure that the Group 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 since the year 2021.

The Group's capital structure includes the equity attributable to the shareholders of the group, which consists of capital, reserves, retained earnings as they are included in the statement of changes in equity

### Financial risk management

The group's activities may be exposed mainly to financial risks resulting from the following.

- *Foreign currency risk management*
  The group 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.

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

### Financial risk management (continued)

- *Credit risk*

It is the inability of one party to fulfil its obligations, which leads to the other party incurring a financial loss. The Group is exposed to credit risk on its bank balances and receivables as follows:

| | **September 30, 2022 (Unaudited)** | September 30, 2021 (Unaudited) |
|---|---|---|
| Accounts receivables | **304,795** | 258,636 |
| Cash and cash equivalents excluding cash in hand | **42,343** | 179,796 |
| | **347,138** | 438,432 |

- *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 group.

## 18 -Contingent liabilities and outstanding issues

A- The Group has obtained bank facilities in the form of letters of guarantee and letters of credit from local banks amounting to SAR 196 million as of 30 September 2022 (31 December 2021: SAR 93.5 million). and the letters of credit include an amount of 28.7 SR million as of 30 September 2022 (31 December 2021: SAR 35.08 million) relating to capital commitments for the supply of machinery and equipment for the plants expansion projects.

B- The Group guarantees a portion of Saudi Industrial Development Fund granted to Ceramic Pipes Company (Subsidiary company) equivalent to the share in the company's capital, the guarantee amounts 35.3 SAR million as of September 30, 2022 (Dec 31, 2021: SAR 34.9 million) as well as the group guarantees a portion of Saudi Investment Bank loan granted to Ceramic Pipes Company (Subsidiary Company) amounted 13.18 SAR million as of September 30, 2022 (Dec 31, 2021: SAR 16.7 million).

## 19- Significant matters

As a result of the pandemic uncertainties remain with the prospect of further COVID-19 outbreaks as a result of new variants or lock down measures affecting supply chains.

The Management will continue to closely monitor the effects of the pandemic, including the impact on non-current assets, inventories, and trade receivables for the future. Based on this assessment, no significant adjustments were required in the interim condensed consolidated financial statements for the nine months period ended September 30, 2022.

## 20- Subsequent events

Management believes that there are no significant subsequent events after the date of the interim condensed consolidated financial statements and before the issuance of these interim condensed consolidated financial statements that require their amendment or disclosure.

## 21- Approval of condensed interim consolidated financial statements

The condensed interim consolidated financial statements were approved by the Executive Committee under the authority of the Board of Directors after the recommendation of the members of the audit committee to approve them on Rabi Al-Awwal 20, 1444 AH (corresponding to October 16, 2022).