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, 2022
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 and independent auditor's report
For the three and six-month periods ending in June 30, 2022

Allied Accountants Professional Services

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Independent Auditor's Report
On 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 include the condensed interim statement of financial position as at June 30, 2022, the condensed interim statements of profit or loss and other comprehensive income for the three and six-month periods ending in June 30, 2022, changes in 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 of June 30, 2022 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 Professional Services Company

Mohammed bin Farhan bin Nader
License 435
Riyadh, Kingdom of Saudi Arabia
12 Muharram 1444AH (10 August 2022)

Saudi Vitrified Clay Pipe Company
(Saudi Joint Stock Company)

Condensed Interim statement of financial position (Unaudited)
As at June 30, 2022

	Note	June 30, 2022 SR (Unaudited)	December 31, 2021 SR (Audited)
Assets			
Non-current assets			
Property, plant and equipment, net	6	**171,621,636**	177,923,849
Intangible assets, net	7	**513,318**	684,424
Right of use assets, net		**4,291,608**	4,550,318
Capital works under construction	8	**2,086,628**	-
Advances to purchase machines and equipment	9	**1,208,298**	1,208,298
Total non-current assets		**179,721,488**	184,366,889
Current assets			
Prepaid expenses and other assets	10	**2,442,766**	1,827,310
Inventory, net	11	**41,781,397**	43,526,816
Accounts receivable, net	12	**41,857,868**	47,469,657
Cash on hand and banks balances		**32,227,975**	36,225,600
Total current assets		**118,310,006**	129,049,383
Total assets		**298,031,494**	313,416,272
Equity and liabilities			
Equity			
Share capital	1	**150,000,000**	150,000,000
Statutory reserve		**75,000,000**	75,000,000
Retained earnings		**42,725,553**	51,933,869
Total equity		**267,725,553**	276,933,869
Liabilities			
Non-current liabilities			
Lease obligations, non-current portion		**4,252,188**	4,154,553
Defined employees' benefit plan obligations		**14,052,710**	13,857,866
Total non-current liabilities		**18,304,898**	18,012,419
Current liabilities			
Lease obligations, current portion		**654,861**	654,861
Accruals and other liabilities		**5,982,445**	6,769,895
Advances from customers		**571,430**	769,082
Accounts payable		**3,517,395**	7,315,622
Accrued dividends to shareholders		**82,463**	82,463
Zakat provision		**1,192,449**	2,878,061
Total current liabilities		**12,001,043**	18,469,984
Total liabilities		**30,305,941**	36,482,403
Total equity and liabilities		**298,031,494**	313,416,272

The accompanying notes from (1) to (20) 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-months period ended June 30, 2022

	Note	The Three Months period ended in June 30		The Six Months period ended in June 30	
		2022 SR (Unaudited)	2021 SR (Unaudited)	**2022 SR (Unaudited)**	2021 SR (Unaudited)
Profit or loss					
Sales, net	13	**12,754,879**	22,660,326	**31,291,982**	47,414,642
Cost of sales	13	**(17,327,565)**	(18,253,213)	**(32,976,561)**	(35,873,732)
Gross (loss) profit		**(4,572,686)**	4,407,113	**(1,684,579)**	11,540,910
Selling and marketing expenses		**(715,353)**	(1,064,638)	**(1,791,786)**	(2,673,387)
General and administrative expenses		**(4,890,958)**	(4,129,337)	**(9,394,813)**	(8,716,272)
Net (loss) profit from main operations		**(10,178,997)**	(786,862)	**(12,871,178)**	151,251
Financing costs		**(48,817)**	(53,919)	**(97,635)**	(107,837)
Other income	14	**410,145**	57,889	**5,135,455**	35,078
Net (loss) profit for the period before zakat		**(9,817,669)**	(782,892)	**(7,833,358)**	78,492
Zakat		**(666,325)**	(651,165)	**(1,374,958)**	(1,283,610)
Net (loss) profit for the period		**(10,483,994)**	(1,434,057)	**(9,208,316)**	(1,205,118)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		**(10,483,994)**	(1,434,057)	**(9,208,316)**	(1,205,118)
(Loss) earnings per share	15				
(losses) earnings per share from net (loss) profit from main operations		**(0.68)**	(0.05)	**(0.86)**	0.01
(Losses) earnings per share from net (loss) profit for the period		**(0.70)**	(0.10)	**(0.61)**	(0.08)
Number of shares		**15,000,000**	15,000,000	**15,000,000**	15,000,000

The accompanying notes from (1) to (20) 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 equity (unaudited)
For the Six Months period ended June 30, 2022

	Share capital SR	Statutory reserve SR	Retained earnings SR	Total SR
For the six months period ended June 30, 2021 (unaudited)				
Balance as at 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 at June 30, 2021	150,000,000	75,000,000	52,773,931	277,773,931
For the three months period ended June 30, 2022 (unaudited)				
Balance as at January 1, 2022	**150,000,000**	**75,000,000**	**51,933,869**	**276,933,869**
Net loss for the period	-	-	**(9,208,316)**	**(9,208,316)**
Balance as at June 30, 2022	**150,000,000**	**75,000,000**	**42,725,553**	**267,725,553**

The accompanying notes from (1) to (20) 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 (unaudited)
For the Six Months period ended June 30, 2022

	For the Six months period ended June 30	
	2022 SR (Unaudited)	2021 SR (Unaudited)
Cash flows from operating activities		
Net loss for the period	**(9,208,316)**	(1,205,118)
Adjustments to reconcile net loss for the period to net cash provided by (used in) operating activities		
Depreciation of property, plant, and equipment	**6,361,006**	6,403,222
Gains on sale of property, plant, and equipment	**(8,997)**	-
Amortization of intangible assets	**171,106**	171,106
Depreciation of right of use assets	**258,710**	285,590
Write off provision for expected credit losses	**(1,455)**	-
Financing costs	**97,635**	107,837
Defined employees' benefit plan obligations charged	**791,252**	827,066
Zakat provision charged	**1,374,958**	1,283,610
	(164,101)	7,873,313
Changes in operating assets and liabilities		
Prepaid expenses and other assets	**(615,456)**	(905,948)
Inventory	**1,745,419**	5,896,842
Accounts receivable	**5,613,244**	(2,219,964)
Accrued expenses and other liabilities	**(787,450)**	(780,836)
Advances from customers	**(197,652)**	829,838
Accounts payable	**(3,798,227)**	483,053
Defined employees' benefit plan obligations paid	**(596,408)**	(2,320,153)
Zakat provision paid	**(3,060,570)**	(2,731,710)
Net cash (used in) provided by operating activities	**(1,861,201)**	6,124,435
Cash flows from investing activities		
Additions to property, plant, and equipment	**(58,796)**	(382,825)
Proceeds from the sale of property, plant, and equipment	**9,000**	-
Additions to capital work under construction	**(2,086,628)**	-
Net cash used in investing activities	**(2,136,424)**	(382,825)
Net change in cash on hand and banks balances	**(3,997,625)**	5,741,610
Cash on hand and banks balances at the beginning of the period	**36,225,600**	25,061,902
Cash on hand and banks balances at the ending of the period	**32,227,975**	30,803,512

The accompanying notes from (1) to (20) 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 AlAwwal 8, 1398 AH (corresponding to February 16, 1978).

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

The Company has obtained the following sub-commercial registration:

CR name	CR number	Date of issuance	Place of issuance	Activity
Saudi Vitrified Clay Pipe Company	1010609539	18/10/1438AH	Riyadh	Manufacture of pipes and trade of pottery and handicrafts

The condensed interim financial statements represent the assets, liabilities and operations' results for the main and sub-commercial registration only

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 complement the IFRS that are endorsed by 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 financial position and performance.

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.

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

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.

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. As a result of the complexity of the evaluation process, the main assumptions are long-term in nature. 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, 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 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 or lease term which is lower	Heavy equipment	10 years
Machinery and equipment	4-40 years old	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.

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.

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

Description	Useful age
Accounting system	5 years

Right of use assets and leases obligations

The company has recognized new assets and liabilities for its operating leases for various types of contracts including office lands and leases. Each rental payment is apportioned between the liability and the finance cost. The finance cost is charged to the condensed interim 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 to use the 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 company is used.

Capital works under construction

Capital work under construction is recorded at cost and is not depreciated. Depreciation of capital works under construction begins when it is ready for use for the purpose for which it was established and is transferred to property, plant and equipment.

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 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 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 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.

Accounts 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.

Contracts obligations with customers

Amounts received in advance from clients are recorded as contract obligations on the Company, provided that these amounts are recognized as realized revenue when the performance obligations are settled in accordance with the signed contracts.

Related parties

The related party is a person or entity related to the Company, and the person is related if he owns 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 in same the group as a parent Company or a subsidiary or an associate Company or associated with a joint venture, or both entities are a joint venture 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 manager.

Accrued dividends to shareholders

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 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 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 Company collects taxes on transactions 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.

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 Company'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 Company 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.

4 - Summary of significant accounting policies (continued)

Revenue recognition

The company recognizes revenue under IFRS 15 using the following five-step model:

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 company expects to achieve in return for transferring the promised goods or services to the customer, excluding the amounts collected on behalf of third parties.
4- Allocate a price to the transaction: performance obligations in the contract: for a contract that contains more than one performance obligation, the company allocates the transaction price to each performance obligation in an amount that determines the amount of consideration that the company takes, specifying the amount of consideration that the company 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.

If the service invoice to the customer includes certain different services, the invoice price is distributed proportionally, and the revenue of the services is realized upon fulfilling the performance obligations and providing the service to the customer. The company provides its services directly and is not considered an agent for any other parties.

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.

Other income is recognized when its realized.

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.

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.

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

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, 2022 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:

As at June 30, 2022	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, beginning of the period	98,000,153	404,127,809	3,949,207	3,061,300	5,935,825	135,075	1,351,640	7,907,945	524,468,954
Additions	-	1,950	-	54,065	-	2,781	-	-	58,796
Transfer from assets spare parts	-	1,045,117	-	-	-	-	-	(1,045,117)	-
Disposals	-	-	-	-	(225,000)	-	-	-	(225,000)
Balance, ending of the period	98,000,153	405,174,876	3,949,207	3,115,365	5,710,825	137,856	1,351,640	6,862,828	524,302,750
Accumulated depreciation									
Balance, beginning of the period	62,294,191	262,893,878	3,947,427	3,043,805	5,038,134	122,086	1,297,640	7,907,944	346,545,105
Charged for the period	1,039,944	5,161,971	1,750	7,667	117,420	4,330	27,924	-	6,361,006
Transfer from assets spare parts	-	1,045,117	-	-	-	-	-	(1,045,117)	-
Disposals	-	-	-	-	(224,997)	-	-	-	(224,997)
Balance, ending of the period	63,334,135	269,100,966	3,949,177	3,051,472	4,930,557	126,416	1,325,564	6,862,827	352,681,114
Net book value	34,666,018	136,073,910	30	63,893	780,268	11,440	26,076	1	171,621,636

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

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

As at December 31, 2021	Buildings contracted 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, beginning of the year	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	-	99,567	-	-	-	-	-	-	99,567
Transfer from inventory spare parts	-	1,474,978	-	-	-	-	-	-	1,474,978
Disposal	(1,764,703)	(4,612,095)	-	-	-	-	-	-	(6,376,798)
Balance, ending of the year	98,000,153	404,127,809	3,949,207	3,061,300	5,935,825	135,075	1,351,640	7,907,945	524,468,954
Accumulated depreciation									
Balance, beginning of the year	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 year	2,079,888	10,340,616	19,811	24,788	266,036	8,783	55,848	-	12,795,770
Disposal	(1,764,703)	(4,612,093)	-	-	-	-	-	-	(6,376,796)
Balance, ending of the year	62,294,191	262,893,878	3,947,427	3,043,805	5,038,134	122,086	1,297,640	7,907,944	346,545,105
Net book value	35,705,962	141,233,931	1,780	17,495	897,691	12,989	54,000	1	177,923,849

B- The buildings costing SR 98,000,153 as at June 30, 2022 (December 31, 2021: SR 98,000,153) are located on land leased from the Saudi Authority for Industrial Cities and Technical Zones (Modon) under operating leases on renewable terms.

C- The property, plant and equipment as at June 30, 2022 includes assets that have been fully depreciated and are still operating at a cost of SR 151,208,861 (December 31, 2021: SR 151,377,501).

D- The spare parts item, which costs SR 6,862,828 as at June 30, 2022 (December 31, 2021: SR 7,907,945), represents strategic parts for machinery and equipment costing SR 405,174,876 as at June 30, 2022 (December 31, 2021: SR 404,127,809).

E- All improvements costing SR 1,351,640 as at June 30, 2022 (December 31, 2021: 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, 2022 (Unaudited) SR	December 31, 2021 (audited) SR
Cost		
Balance as of beginning of the period / year	**1,711,060**	1,711,060
Balance as of ending of the period / year	**1,711,060**	1,711,060
Accumulated amortization		
Balance as of beginning of the period / year	**1,026,636**	684,424
Charged for the period / year	**171,106**	342,212
Balance as of ending of the period / year	**1,197,742**	1,026,636
Net book value	**513,318**	684,424

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

8 - Capital works under construction

The capital work under construction amounting to 2,086,628 Saudi riyals as at June 30, 2022 (December 31, 2021: zero Saudi riyals) represents the cost of rebuilding the building that was damaged as a result of the fire that took place in the company's first factory, and it is expected to be completed by 2022 with a total expected cost amounted to 2,857,000 Saudi riyals.

9 - Advances to purchase machines and equipment

The advance payments represent the cost of purchasing machines and equipment to be used in one of the production lines' stages instead of the machines and equipment that were damaged as a result of the fire that occurred in one of the production lines' stages in the Company's first factory. The cost of advance payments for the purchase of machinery and equipment amounted to SR 1,208,298 as at December 31, 2021 (2020: SR zero) (note 22 – b).

10 -Prepaid expenses and other assets

	June 30, 2022 (Unaudited) SR	December 31, 2021 (audited) SR
Prepaid expenses	**1,326,479**	822,575
Advance payments to suppliers	**880,189**	825,792
Refundable deposit	**226,272**	170,272
Employees advance	**9,826**	8,671
	2,442,766	1,827,310

11 -Inventory, net

A- This item consists of the following:

	June 30, 2022 (Unaudited) SR	December 31, 2021 (audited) SR
Spare parts	**19,095,235**	18,576,407
Work in process	**10,085,739**	12,197,511
Raw Materials	**8,464,105**	10,073,428
Finished goods	**3,168,489**	1,680,952
Accessories	**2,328,254**	2,424,162
Packaging inventory	**641,680**	576,461
	43,783,502	45,528,921
Provision for damaged, obsolete, and slow moving	**(2,002,105)**	(2,002,105)
	41,781,397	43,526,816

12 -Accounts receivable, net

A- This item consists of the following:

	June 30, 2022 (Unaudited) SR	December 31, 2021 (audited) SR
Accounts receivable	**58,328,457**	63,941,701
Provision for expected credit losses	**(16,470,589)**	(16,472,044)
	41,857,868	47,469,657

B- The following is the aging of receivables which have not been impaired:

	June 30, 2022 (Unaudited) SR	December 31, 2021 (audited) SR
Up to 3 months	**24,144,687**	29,749,340
From 3 months up to 6 months	**4,500,037**	5,992,251
From 6 months up to one year	**7,309,512**	9,819,228
More than one year	**22,374,221**	18,380,882
	58,328,457	63,941,701

13 -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, 2022 (unaudited)		
	Inside KSA SR	**Outside KSA SR**	**Total SR**
Sales, net	**31,023,827**	**268,155**	**31,291,982**
Cost of sales	**(32,693,970)**	**(282,591)**	**(32,976,561)**
Gross profit	**(1,670,143)**	**(14,436)**	**(1,684,579)**

	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

13 -Segment information (continued)

B- The company's net sales out of kingdom of Saudi Arabia are amounted to SR 268,155 for the period ended in June 30, 2022 which represents 0.86% from total company's sales (June 30, 2021: SR 466,939 which represents 0.98% from total company's sales).

14 -Other income (expenses)

	June 30, 2022 (Unaudited) SR	June 30, 2021 (Unaudited) SR
Insurance compensation *	**4,500,000**	-
Exchange currency	**326,404**	45,167
Gains on sale property, plant and equipment	**8,997**	-
Other	**300,054**	(80,245)
	5,135,455	35,078

* This amount represents the advance payment received from the insurance company as part of the company's compensation as a result of the fire that occurred in the company's first factory (note 18 - A).

15 -(Loss) earnings per share

Basic earnings per share from net profit is calculated by dividing the net 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.

16 -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.

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

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 2021.

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 statement of changes in 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.

- *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, 2022 (Unaudited) SR	December 31, 2021 (audited) SR
Account receivables	**58,328,457**	63,941,701
Cash at banks	**32,186,586**	36,223,533
	90,515,043	100,165,234

- *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.

17 -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, 2022 for a total amount of SR 14.755 million (December 31, 2021: SR 14.755 million).

B- The company has purchase commitments for purchase machinery and equipment amounting to 10,432,206 Saudi riyals as at June 30, 2022.

C- 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 Limited Company (as the defendant), the matter is related to the claim of the Saudi Vitrified Clay Pipes Company to refund the money owed by the Commercial Services and Agencies Limited Company. The court assigned an accounting expert to examine the case, and at the conclusion of his report concluded that the plaintiff was entitled to amounts of 3,305,778 Saudi riyals, and the expert concluded that the defendant was harmed by not implementing purchase orders worth 8,306,346 Saudi riyals. The case was returned to the expert, and a session was scheduled at a later date for the report to be received. While awaiting the verdict.
- The Company filed a financial claim claiming Qatari Diar Company for an amount of 2,858,612 Saudi riyals. The court ruled in favor of the Company for the full amount, in addition to compensation for damages in the amount of 150,000 Saudi riyals.
- The Company has financial claims in which Bin Samar Company claims an amount of 5,327,618 Saudi riyals. The financial claim has been submitted to the Al Ain office 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 has financial claims in which Azmeel Company claims an amount of 194,630 Saudi riyals. 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-Nwaiser Company for an amount of 212,000 Saudi riyals. 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.
- 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 Mofawz Foundation claims an amount of 725,000 Saudi riyals. The judgment was passed in favor of the Company by the enforcement court, obligating the defendant to pay the full amount. An amount of 300,000 Saudi riyals has been paid, and work is in progress to collect the rest of the amount.
- The company has financial claims in which Haider Saleh Al Haider and his partner company claims 833,476 Saudi riyals; A request was submitted to issue a performance order in the amount of 773,727 Saudi riyals and the judgment was issued in favor of the company.
- The company has financial claims in which Al-Mashareq Trading and Contracting Company claims an amount of SAR 581,378. A request has been submitted to issue a performance order for the full amount and the judgment has been passed in favor of the company.

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

17 -Contingent liabilities and outstanding issues (continued)

D-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, 2022 (Unaudited) SR	June 30, 2021 (Unaudited) SR
Within one year.	**33,000**	33,000
More than one year and less than five years	**363,000**	396,000

18 -Significant matters

A- Following to the actions taken by the company regarding the fire that occurred in the company's first factory, the company collected an amount of 4,500,000 Saudi riyals, which represents part of the of the claim submitted to the insurance company as an advance payment, and the procedures for evaluating the final compensation are still in process by the insurance company until the date preparing the condensed interim financial statements. The management believes that the insurance coverage is sufficient to cover the losses caused as a result of the fire. The production process in the company's second factory continues normally, and the management believes that it is able to provide all customers' needs without delay until work resumes in the damaged department in the company's first factory.

B- 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.

19 -Subsequent events

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

20 -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 12 Muharram 1444AH (10 August 2022).