

SAUDI CERAMIC COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AND REVIEW REPORT
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
30 SEPTEMBER 2021**

SAUDI CERAMIC COMPANY
(A Saudi Joint Stock Company)

**INDEX OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW
REPORT FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2021**

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF SAUDI CERAMIC COMPANY
(A SAUDI JOINT STOCK COMPANY)
RIYADH, KINGDOM OF SAUDI ARABIA

INTRODUCTION

We have reviewed the accompanying interim consolidated statement of financial position of Saudi Ceramic Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 September 2021 and the related interim consolidated statement of comprehensive income for the three-month and nine-month periods ended 30 September 2021 and interim consolidated statements of changes in equity and cash flows for the nine-month period then ended and a summary of significant accounting policies and other explanatory notes (the "interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

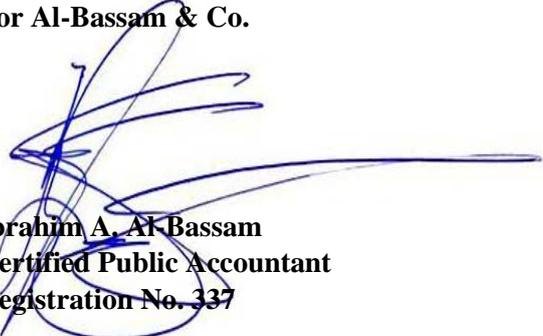
SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of interim 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 that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

For Al-Bassam & Co.


Ibrahim A. Al-Bassam
Certified Public Accountant
Registration No. 337

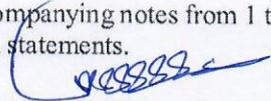


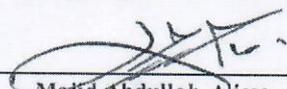
Riyadh on: 19 Rabi Al-Awwal 1443
Corresponding to: 25 October 2021

SAUDI CERAMIC COMPANY
(A Saudi Joint Stock Company)
Interim Consolidated Statement of Financial Position
As at 30 September 2021
(In Saudi Riyals Thousand)

ASSETS	Note	30 September	31 December
		2021	2020
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment	7	1,648,335	1,623,827
Right-of-use assets		74,159	75,496
Intangible assets		-	202
Investment in associate		8,913	8,963
Financial assets carried at FVOCI	11	7,746	7,746
Total non-current assets		1,739,153	1,716,234
Current assets			
Inventories		696,602	646,607
Trade receivables, prepayments and other receivables		320,574	327,178
Cash and cash equivalents		180,617	68,689
Total current assets		1,197,793	1,042,474
TOTAL ASSETS		2,936,946	2,758,708
EQUITY AND LIABILITIES			
Equity			
Share capital	8	800,000	600,000
Statutory reserve		218,336	218,336
Fair value reserve		3,521	3,521
Treasury shares		(4,291)	(11,008)
Retained earnings		608,152	674,474
Total equity attributable to the shareholders		1,625,718	1,485,323
Non-controlling interest		41,193	43,892
TOTAL EQUITY		1,666,911	1,529,215
Liabilities			
Non-current liabilities			
Long term borrowings	9	493,745	463,789
Lease liabilities		58,105	57,255
Employee retirement benefits		86,695	85,370
Total non-current liabilities		638,545	606,414
Current liabilities			
Short term borrowings	9	-	85,045
Current portion of long-term borrowings	9	252,943	201,171
Current portion of lease liabilities		10,299	11,540
Trade and other payables		352,639	297,322
Zakat provision	10	15,609	28,001
Total current liabilities		631,490	623,079
TOTAL LIABILITIES		1,270,035	1,229,493
TOTAL EQUITY AND LIABILITIES		2,936,946	2,758,708
Contingencies and commitments	12		

The accompanying notes from 1 to 16 are an integral part of these interim condensed consolidated financial statements.


Abdulaziz Abdulkareem Alkhuraiji
Member of the Board


Majid Abdullah Alissa
Chief Executive Officer

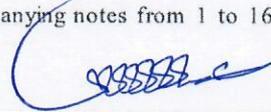

Waleed Al-Bassam
Chief Financial Officer

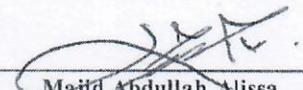
Saudi Ceramic Company
(A Saudi Joint Stock Company)

Interim Consolidated Statement of Comprehensive Income
For the three-month and nine-month periods ended 30 September 2021
(In Saudi Riyals Thousand)

	Note	For nine-month period ended 30 September		For three-month period ended 30 September	
		2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Revenue	5,6	1,156,543	1,148,375	360,147	373,051
Cost of sales		(754,346)	(853,015)	(242,378)	(266,092)
Gross profit		402,197	295,360	117,769	106,959
Selling and distribution expenses		(142,461)	(140,139)	(43,916)	(47,660)
General and administration expenses		(54,890)	(54,770)	(15,649)	(18,667)
Provision for expected credit loss		(2,396)	(9,000)	(139)	-
Operating profit		202,450	91,451	58,065	40,632
Other income		19,875	14,052	6,268	5,559
Finance cost, net		(17,410)	(34,052)	(5,708)	(10,112)
Share of net profit of associates		347	589	28	196
Profit before zakat		205,262	72,040	58,653	36,275
Zakat expense	10	(19,786)	(25,798)	(7,143)	(5,294)
Net profit / (loss) for the period		185,476	46,242	51,510	30,981
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Re-measurement of liability for employee retirement benefits		(22)	-	-	-
Other comprehensive loss for the period		(22)	-	-	-
Total comprehensive income for the period		185,454	46,242	51,510	30,981
Basic and diluted earnings per share (SR) (Restated)	14	2.34	0.62	0.66	0.41
Net profit attributed to:					
Shareholders of the Company		186,679	49,659	52,395	32,461
Non-controlling interest		(1,203)	(3,417)	(885)	(1,480)
		185,476	46,242	51,510	30,981
Total comprehensive income attributed to:					
Shareholders of the Company		186,663	49,659	52,395	32,461
Non-controlling interest		(1,209)	(3,417)	(885)	(1,480)
		185,454	46,242	51,510	30,981

The accompanying notes from 1 to 16 are an integral part of these interim condensed consolidated financial statements.


Abdulaziz Abdulkareem Alkhuraiji
Member of the Board


Majid Abdullah Alissa
Chief Executive Officer

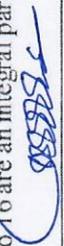

Waleed Al-Bassam
Chief Financial Officer

Saudi Ceramic Company
(A Saudi Joint Stock Company)
Interim Consolidated Statement of Changes in Equity
For the nine-month period ended 30 September 2021
(In Saudi Riyals Thousand)

For the nine-month period ended 30 September

	Share capital	Statutory reserve	Fair value reserve	Treasury Shares	Retained earnings	Total equity before NCI	Non-Controlling interest	Total equity
Balance as at 1 January 2021 (Audited)	600,000	218,336	3,521	(11,008)	674,474	1,485,323	43,892	1,529,215
Profit / (loss) for the period	-	-	186,679	-	186,679	186,679	(1,203)	185,476
Other comprehensive income for the period	-	-	(16)	-	(16)	(16)	(6)	(22)
Total comprehensive income / (loss) for the period	-	-	186,663	-	186,663	186,663	(1,209)	185,454
Dividends paid (Note 1)	-	-	(59,068)	-	(59,068)	(59,068)	-	(59,068)
Acquisition of NCI (Note 1)	-	-	1,951	-	1,951	1,951	(2,951)	(1,000)
Adjustments related to subsidiary	-	-	4,132	-	4,132	4,132	1,461	5,593
Issuance of treasury shares (Note 1)	-	-	-	6,717	-	6,717	-	6,717
Issuance of bonus shares (Note 1)	200,000	-	(200,000)	-	-	-	-	-
Balance as at 30 September 2021 (Unaudited)	800,000	218,336	3,521	(4,291)	608,152	1,625,718	41,193	1,666,911
Balance as at 1 January 2020 (Audited)	600,000	218,336	2,727	(11,008)	599,022	1,409,077	37,974	1,447,051
Profit / (loss) for the period	-	-	-	-	49,659	49,659	(3,417)	46,242
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive income / (loss) for the period	-	-	-	-	49,659	49,659	(3,417)	46,242
Additional share capital by NCI in subsidiary	-	-	-	-	-	-	13,130	13,130
Balance as at 30 September 2020 (Unaudited)	600,000	218,336	2,727	(11,008)	648,681	1,458,736	47,687	1,506,423

The accompanying notes from 1 to 16 are an integral part of these interim condensed consolidated financial statements.

 Abdulkareem Alkhuraji Member of the Board	 Majid Abdullah Alissa Chief Executive Officer
 Waleed Al-Bassam Chief Financial Officer	

SAUDI CERAMIC COMPANY
(A Saudi Joint Stock Company)
Interim Consolidated Statement of Cashflows
For the nine-month period ended 30 September 2021
(In Saudi Riyals Thousand)

	<u>Note</u>	For the nine-month period ended 30 September 2021	For the nine-month period ended 30 September 2020
		(Unaudited)	(Unaudited)
<u>Cash flows from operating activities</u>			
Net profit before zakat		205,262	72,040
Adjustments for:			
Depreciation of property, plant and equipment		86,585	88,035
Depreciation of right-of-use assets		10,991	10,641
Amortization of intangible assets		202	234
Interest expense on lease liabilities		2,255	2,237
Finance cost		14,053	28,671
Provision for employees' post-employment benefits		8,644	8,285
Gain on disposal of property, plant and equipment	7	(1,033)	(152)
Provision for expected credit loss		2,396	9,000
Provision for obsolete inventories		3,150	(1,500)
Share of profit of associate		(347)	(589)
Changes in:			
Inventories		(47,420)	76,809
Trade receivables, prepayments, and other receivables		2,365	(21,846)
Trade and other payables		57,467	32,702
Cash generated from operations		344,570	304,567
Employee retirement benefits paid		(7,475)	(5,412)
Zakat paid	10	(32,178)	(20,796)
Net cash generated from operating activities		304,917	278,359
<u>Cash flows from investing activities</u>			
Purchase of property, plant and equipment including capital work-in-progress	7	(105,932)	(25,890)
Proceeds from disposal of property, plant and equipment	7	1,065	204
Acquisition of NCI	1	(1,000)	-
Dividend received from associate		397	397
Net cash used in investing activities		(105,470)	(25,289)
<u>Cash flows from financing activities</u>			
Net proceeds / (repayment) from short term borrowings	9.2	(10,263)	(62,327)
(Repayment)/ Proceed from long term borrowings	9.1	6,945	(144,383)
Disposal of treasury shares		6,717	-
Dividends paid		(59,068)	-
Lease payments		(15,483)	(9,419)
Finance cost paid		(16,367)	(28,592)
Net cash used in financing activities		(87,519)	(244,721)
Net increase in cash and cash equivalents		111,928	8,349
Cash and cash equivalents at 1 January		68,689	100,231
Cash and cash equivalents at 30 September		180,617	108,580
<u>Supplemental non-cash transaction</u>			
Issuance of bonus shares	1	200,000	-
Additional share capital by NCI in subsidiary		-	13,130


Abdulaziz Abdulkareem Alkhuraiji
Member of the Board


Majid Abdullah Alissa
Chief Executive Officer


Waleed Al-Bassam
Chief Financial Officer

The accompanying notes from 1 to 16 are an integral part of these interim condensed consolidated financial statements.

Saudi Ceramic Company

(A Saudi Joint Stock Company)

Notes to the interim condensed consolidated financial statements

For the nine-month period ended 30 September 2021

(In Saudi Riyals Thousand)

1. ORGANIZATION AND ITS ACTIVITIES

Saudi Ceramic Company, ("the Company") is a Saudi Joint Stock Company established by Royal Decree No. (M/16) on Rabi Thani 25, 1397H (corresponding to April 14, 1977G), registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010014590 issued in Riyadh on Safar 15, 1398H (corresponding to January 24, 1978G).

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.

This interim condensed consolidated financial information ("interim condensed consolidated financial statements") includes the assets, liabilities, and results of the operations of the Company and its branches including its subsidiaries, namely, Ceramics Pipes Company (a Closed Joint Stock Company), Ceramics Investment Company (a Limited Liability Company) and Arzan Company for Operation and Maintenance (a Limited Liability Company) collectively referred to as ("the Group").

The performance of the Group for the nine-month period ended 30 September 2021 is not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

The Company's head office is located in Riyadh, King Fahad Road, Al-Olayya District, PO Box 3893, Riyadh 11481, Kingdom of Saudi Arabia.

The financial year of the Company commences on 1 January and ends on 31 December of each calendar year.

Name	Country of incorporation	Key operating activities	30 September 2021	31 December 2020
Ceramics pipes company (CPC)	Kingdom of Saudi Arabia	Import and export, wholesale and retail trading of clay pipes	73.89%	66.09%
Ceramics investment Company (CIC)*	Kingdom of Saudi Arabia	Import and export, marketing services, wholesale and retail trading	95%	95%
Arzan Company for Operation and Maintenance *	Kingdom of Saudi Arabia	Operation and maintenance	100%	100%

* These companies did not start commercial operations until 30 September 2021.

Change in shareholding of CPC

With effect from 1 January 2021, the shareholding of the Group in CPC has increased by 2.28% to 68.37%. The Group has purchased the interest of other shareholder of CPC against cash consideration of SR 1 million which is referred to as "Acquisition of NCI" in these interim condensed consolidated financial statements.

With effect from 1 April 2021, the shareholders of CPC have increased their share capital by a net amount of SR 5.8 million of which SR 25.9 million increase is due to conversion of current account balance of the parent and SR 20.1 million decrease is due to absorption of losses into share capital. The losses of CPC's Shareholders are absorbed in proportion to their holding percentage. The conversion has occurred by way of conversion of current account payable balances of the Company into share capital of CPC. As a result, the shareholding of the Company in CPC has increased from 68.37% to 73.89%.

Saudi Ceramic Company

(A Saudi Joint Stock Company)

Notes to the interim condensed consolidated financial statements

For the nine-month period ended 30 September 2021

(In Saudi Riyals Thousand)

1. ORGANIZATION AND ITS ACTIVITIES (Continued)

Issuance of Bonus Shares – 30 March 2021

The shareholders of the Group have approved the issue of 20 million bonus shares amounting to SR 200 million by allotment of one share for every three shares held to the current shareholders of the parent company in the Extra-Ordinary General Meeting held on 30 March 2021. The share capital has increased from SR 600 million to SR 800 million effective 30 March 2021.

Disposal of treasury shares

During 2019, the group purchased 500,000 shares of the Company for SR 11 million for transfer to the employees according to the approved plan from the board of directors. As of 30 September 2021, SR 6.7 million have been received from employees and proportionate number of shares have been transferred. No gains or losses were recognized on this transaction and the consideration received was the average cost of the shares transferred.

Dividends paid

During a meeting held on 26 July 2021, the Board of Directors of the Company decided to approve the distribution of cash dividends to the Company's shareholders for the first half of 2021. The dividend was paid on 15 August 2021 at SR 0.75 per share for the shares outstanding as of 13 August 2021 amounting to SR 59 million.

Impact of COVID-19

Referring to the events related to the spread of the Corona Virus (COVID-19) and its repercussions on the business sectors locally and internationally, the Group has taken necessary measures to ensure the health and safety of its employees and to continue its operations with a growth driven perspective.

Despite the general challenges faced by the corporate sector, the Groups' operations remained largely unaffected. This was primarily because of the Group's effective crisis management policies as well as its efforts to take full advantage of the initiatives and incentives provided by the Government. The Group will monitor the situation as it develops and provide disclosure of material changes in the future if they occur however, currently the Group management is not aware of any factor that may warrant additional disclosure with reference to the impact on the operations of the Group in 2021.

2. BASIS OF ACCOUNTING

2.1. Statement of compliance

These interim condensed consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (SOCPA) and should be read in conjunction with the Group's last annual financial statements for the year ended 31 December 2020.

2.2. Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Arabian Riyal (SR), which is the Group's functional and presentation currency.

Saudi Ceramic Company

(A Saudi Joint Stock Company)

Notes to the interim condensed consolidated financial statements

For the nine-month period ended 30 September 2021

(In Saudi Riyals Thousand)

3. NEW STANDARDS, INTERPRETATIONS AND AMMENDMENTS

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2021 and has been explained in Group's annual Consolidated Financial Statements, but they do not have a material effect on the Group's Interim Condensed Consolidated Financial Statements.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these interim condensed consolidated financial statements requires the use of judgments, estimates and assumptions that affect the values of income, expenses, assets, liabilities and notes attached thereto and the disclosure of contingent liabilities. Uncertainties about these assumptions and estimates may result in a material adjustment to the carrying amounts of the assets and liabilities in future periods. The significant judgements and estimates made by management in applying the Group's accounting policies and the key sources of estimating uncertainty were the same as those described in the Group's annual consolidated financial statements for the year ended 31 December 2020.

5. OPERATING SEGMENTS

5.1. Information about reportable segments

	Ceramic tiles and sanitary ware	Water heaters	Ceramic Pipes	Total
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 5.2)	155,054	53,174	(2,966)	205,262
As at 30 September 2021 (Unaudited)				
Segment assets	2,374,436	311,171	251,339	2,936,946
Segment liabilities	1,016,525	152,970	100,540	1,270,035
For the nine-month period ended 30 September 2020 (Unaudited)				
External revenues	859,934	265,558	22,883	1,148,375
Inter-segment revenue	14,581	-	-	14,581
Segment profit / (loss) before zakat (Note 5.2)	62,879	16,656	(8,084)	71,451
As at 31 December 2020 (Audited)				
Segment assets	2,297,195	315,473	263,875	2,876,543
Segment liabilities	1,106,299	160,409	103,412	1,370,120

Saudi Ceramic Company

(A Saudi Joint Stock Company)

Notes to the interim condensed consolidated financial statements

For the nine-month period ended 30 September 2021

(In Saudi Riyals Thousand)

5. OPERATING SEGMENTS (Continued)

5.2 Reconciliation of reportable segments profit

	For the nine-month period ended	
	30 September 2021 (Unaudited)	30 September 2020 (Unaudited)
Total profit before zakat from reportable segments	204,915	71,451
Share of profit of associate	347	589
Total profit before zakat	205,262	72,040

5.3 Seasonality of operations

The Group's electric water heater segment is subject to seasonal fluctuations due to weather changes. In particular, the use of electric water heaters is adversely affected during summer season which occur primarily from April to September. The Group attempts to minimize the seasonal impact by managing inventories to meet demand during this period. However, this segment typically has lower revenues and results for the second and third quarter of the year.

For the twelve-month period ended 30 September 2021, the water heater segment reported revenue of SR 418 million (twelve-month period ended 30 September 2020: SR 366 million) and net profit before zakat of SR 65.89 million (twelve-month period ended 30 September 2020: SR 31.9 million).

6. REVENUE

The Group's operations and main revenue streams are same as those described in the Group's annual consolidated financial statements for the year ended 31 December 2020. The Group's revenues are derived from contracts with customers and control of the products is transferred at the point in time when the goods are delivered to customers.

Disaggregation of revenue from contracts with customers

The group derives revenue from the transfer of goods in the following major product lines and geographical regions:

	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
- Foreign	21,481	63,589	-	85,070
	821,564	309,633	25,346	1,156,543
Timing of revenue recognition				
- At point in time	821,564	309,633	25,346	1,156,543

Saudi Ceramic Company

(A Saudi Joint Stock Company)

Notes to the interim condensed consolidated financial statements

For the nine-month period ended 30 September 2021

(In Saudi Riyals Thousand)

6. REVENUE (Continued)

	For the nine-month period ended 30 September 2020 (Unaudited)			
	Ceramics tiles and sanitary ware	Water heaters	Ceramic pipes	Total revenue
Segment revenue	874,515	265,558	22,883	1,162,956
Inter-segment revenue	(14,581)	-	-	(14,581)
Revenue from external customers	859,934	265,558	22,883	1,148,375
Primary geographical markets				
- Local	846,371	202,668	22,883	1,071,922
- Foreign	13,563	62,890	-	76,453
	859,934	265,558	22,883	1,148,375
Timing of revenue recognition				
- At point in time	859,934	265,558	22,883	1,148,375

7. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the nine-month period ended 30 September 2021, the Group had additions in property, plant and equipment including capital work-in-progress amounting to SR 105.9 million (nine-month period ended 30 September 2020: SR 25.9 million).

During the nine-month period ended 30 September 2021, the Group disposed the property, plant and equipment with a carrying amount of SR 32,328 (nine-month period ended 30 September 2020: SR 52,000) which resulted in a gain of SR 1,032,995 (nine-month period ended 30 September 2020: gain of SR 150,000). These gains are classified under "other income" in the Interim consolidated statement of comprehensive income.

8. SHARE CAPITAL

	30 September 2021	31 December 2020
	(Unaudited)	(Audited)
Authorized ordinary shares of SR 10 each (Shares in "000")	80,000	60,000
Fully paid ordinary shares of SR 10 each (Shares in "000")	80,000	60,000
Value of issued ordinary shares (SR "000")	800,000	600,000

Saudi Ceramic Company

(A Saudi Joint Stock Company)

Notes to the interim condensed consolidated financial statements

For the nine-month period ended 30 September 2021

(In Saudi Riyals Thousand)

9. BORROWINGS

9.1 Long term borrowings

	Currency	Year of maturity	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Opening balance	SR		664,960	880,946
Receipts during the period	SR		410,406	-
Repayments during the period	SR		(403,461)	(215,986)
Adjustments during the period	SR	2023	74,783	-
Closing balance	SR	2025	746,688	664,960
Current portion			252,943	201,171
Non – current portion			493,745	463,789
Total long-term borrowings			746,688	664,960

9.1.1. Loan covenants

The loan facility agreements include covenants which, among other things, requires the Group to maintain certain financial ratios. As at 30 September 2021, the CPC (Subsidiary) was not in compliance with a covenant under few financing agreements and accordingly non-current portion of such loans have been reclassified under current liabilities.

9.1.2. Adjustment during 2021

During 2021, the group has finalized an agreement with a financial institution to defer the loan payments of SR 74.7 million which was previously classified as short-term loan. The payments will now be made in unequal monthly installments from September 2022 till December 2023. The effect of this modification was immaterial and no gain or loss has been recognized in the interim consolidated statement of comprehensive income.

9.2. Short term borrowings

Short term borrowings represent Islamic Murabaha loans granted to the Company by local commercial banks, loans' charges are determined based on the basis of market prices. These loans were guaranteed by promissory notes in favor of the banks for the loan exposure. During the nine-month period ended 30 September 2021, SR 30 million short term loans were received (nine-month period ended 30 September 2020: SR 40.8 million) and SR 40.2 million were repaid to the banks (nine-month period ended 30 September 2020: SR 103.1 million). Further, SR 74.7 million were transferred to long-term borrowings. Refer note 9.1.2

10. ZAKAT PROVISION

The Saudi Ceramic Company (SCC) and its subsidiaries, namely Ceramics Pipes Company (CPC), Ceramics Investment Company (CIC) and Arzan Operation and Maintenance Company (Arzan) have submitted their zakat returns for all the years up to 2020 and accordingly paid the zakat due.

The Zakat assessments for SCC have been closed with the Zakat, Tax and Customs Authority "ZATCA" for all the years up to 2018 and CPC for all years up to 2012 respectively.

The SCC assessment orders for the years from 2008 to 2018 have been closed during June 2021 against final payment of SR 12 million.

SAUDI CERAMIC COMPANY

(A Saudi Joint Stock Company)

Notes to the interim condensed consolidated financial statements

For the nine-month period ended 30 September 2021**(In Saudi Riyals Thousand)****11. FINANCIAL INSTRUMENTS****11.1 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, borrowings and trade and other payables.

	Carrying amount			Fair value			
	Financial assets at FVOCI	Amortized cost	Total	Level 1	Level 2	Level 3	Total
As at 30 September 2021 (Unaudited)							
Financial assets							
Financial assets at FVOCI	7,746	-	7,746	-	-	7,746	7,746
Trade receivables, prepayments and other receivables	-	320,574	320,574	-	-	-	-
Cash and cash equivalents excluding cash in hand	-	179,796	179,796	-	-	-	-
	<u>7,746</u>	<u>500,370</u>	<u>508,116</u>	<u>-</u>	<u>-</u>	<u>7,746</u>	<u>7,746</u>
Financial liabilities							
Short term borrowings	-	-	-	-	-	-	-
Long term borrowings	-	746,688	746,688	-	-	-	-
Trade and other payables excluding accrued expenses	-	199,532	199,532	-	-	-	-
	<u>-</u>	<u>946,220</u>	<u>946,220</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

SAUDI CERAMIC COMPANY

(A Saudi Joint Stock Company)

Notes to the interim condensed consolidated financial statements

For the nine-month period ended 30 September 2021**(In Saudi Riyals Thousand)****11. FINANCIAL INSTRUMENTS (Continued)****11.1. 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 31 December 2020 (Audited)							
Financial assets							
Financial assets at FVOCI	7,746	-	7,746	-	-	7,746	7,746
Trade receivables, prepayments and other receivables	-	327,178	327,178	-	-	-	-
Cash and cash equivalents excluding cash in hand	-	68,359	68,359	-	-	-	-
	<u>7,746</u>	<u>395,537</u>	<u>403,283</u>	<u>-</u>	<u>-</u>	<u>7,746</u>	<u>7,746</u>
Financial liabilities							
Short term borrowings	-	85,045	85,045	-	-	-	-
Long term borrowings	-	664,960	664,960	-	-	-	-
Trade and other payables excluding accrued expenses	-	232,344	232,344	-	-	-	-
	<u>-</u>	<u>982,349</u>	<u>982,349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

SAUDI CERAMIC COMPANY

(A Saudi Joint Stock Company)

Notes to the interim condensed consolidated financial statements

For the nine-month period ended 30 September 2021

(In Saudi Riyals Thousand)

11. FINANCIAL INSTRUMENTS (Continued)

11.2. 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 2021. There were also no changes made to any of the valuation techniques applied as of 31 December 2020.

11.3. Level 3 fair values

Reconciliation of level 3 fair values

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

Financial assets at FVOCI

	<u>30 September 2021</u>	<u>31 December 2020</u>
	(Unaudited)	(Audited)
Opening balance	7,746	6,952
Unrealized gain recognized in OCI	-	794
Closing balance	<u>7,746</u>	<u>7,746</u>

12. CONTINGENCIES AND COMMITMENTS

The Group has obtained bank facilities in the form of letters of guarantee and letters of credit from local banks amounting to SR 73.3 million as of 30 September 2021 (31 December 2020: SR 63.7 million). The letters of credit include an amount of SR 67 million (31 December 2020: SR 19.5 million) relating to capital commitments for the supply of machinery and equipment for the plant's expansion projects.

13. RELATED PARTY TRANSACTIONS AND BALANCES

Related Party	Nature of transaction	Transactions during the nine-month ended on		Balances as at	
		30 September 2021 (Unaudited)	30 September 2020 (Unaudited)	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Natural Gas Distribution Company (Associate)	Purchase of goods and services	40,646	30,702		
	Dividend received	396	397	-	3,934
Saudi Trukkin Company	Transportation services	4,469	6,762	668	309
		<u>45,511</u>	<u>37,861</u>	<u>668</u>	<u>4,243</u>

All due balances with related parties must be settled in cash within twelve months from the reporting date, and none of these balances are secured.

Saudi Ceramic Company

(A Saudi Joint Stock Company)

Notes to the interim condensed consolidated financial statements

For the nine-month period ended 30 September 2021

(In Saudi Riyals Thousand)

14. EARNINGS PER SHARE

	For the nine-month period ended	
	30 September 2021	30 September 2020
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Net profit for the period attributed to the shareholders of the Company (SR "000")	<u>186,679</u>	<u>49,659</u>
Weighted average number of shares (Shares in "000") – (Restated)	<u>79,683</u>	<u>79,500</u>
Basic and diluted earnings per share (SR) – restated	<u>2.34</u>	<u>0.62</u>

Weighted average number of shares are restated by including the effect of bonus shares. (Refer note 1)

Weighted average number of shares are adjusted for Treasury Shares held under the Company's employee shares scheme. The Company purchased 500,000 treasury shares from June 2019 to September 2019 pursuant to the decision of extra ordinary general meeting of shareholders held on 13 February 2019. The Company has distributed partial shares during 2021. Refer note 1.

15. SUBSEQUENT EVENTS

In the opinion of the management, there have been no significant subsequent events since the period-end require disclosure or adjustment in these interim condensed consolidated financial statements.

16. APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved by the Executive Committee under the authority of the Board of Directors on 11 Rabi Al-Awwal 1443 corresponding to 17 October 2021.