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شركة آر إس إم المحاسبون المتحدون للإستشارات المهنية  
RSM Allied Accountants Professional Services Co.

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

**Condensed interim financial statements (unaudited)**  
**For the three and nine-month periods ending September 30, 2023**  
**and the independent auditor's review report**

**Saudi Vitrified Clay Pipe Company**  
(Saudi Joint Stock Company)

**Condensed interim financial statements (Unaudited) and independent auditor's review report**  
**For the three and nine-month periods ending September 30, 2023**

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## Independent Auditor's Review Report

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

### Introduction

We have reviewed the accompanying condensed interim financial statements of Saudi Vittrified Clay Pipe Company (Saudi Joint Stock Company) (the "Company") which include the condensed interim statement of financial position as at September 30, 2023, the condensed interim statements of profit or loss and other comprehensive income for the three and nine-month periods ending September 30, 2023, changes in equity, and Cash flows for the nine 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 September 30, 2023 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.

### RSM Allied Accountants Professional Services

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**Mohammed Bin Farhan Bin Nader**

License No. 435

Riyadh, Kingdom of Saudi Arabia

13 Rabi' al-Thani 1445AH (corresponding to October 28, 2023)

**Saudi Vitrified Clay Pipe Company**  
(Saudi Joint Stock Company)

**Condensed Interim statement of financial position (Unaudited)**  
**As at September 30, 2023**  
(Saudi Riyals)

	Note	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment, net	6	165,903,786	166,630,709
Intangible assets, net	7	85,553	342,212
Right of use assets, net		3,831,948	4,220,013
Advances to purchase machines and equipment		-	1,208,298
Capital works under constructions	8	78,820	5,572,362
<b>Total non-current assets</b>		<b>169,900,107</b>	<b>177,973,594</b>
<b>Current assets</b>			
Prepaid expenses and other assets	9	1,636,223	3,570,543
Inventory, net	10	45,206,327	40,694,210
Accounts receivable, net	11	29,726,691	38,051,964
Cash and cash equivalent	12	42,886,354	39,135,249
<b>Total current assets</b>		<b>119,455,595</b>	<b>121,451,966</b>
<b>Total assets</b>		<b>289,355,702</b>	<b>299,425,560</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	1	150,000,000	150,000,000
Statutory reserve		75,000,000	75,000,000
Retained earnings		36,707,623	43,701,861
<b>Total equity</b>		<b>261,707,623</b>	<b>268,701,861</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease obligations, non-current portion		2,921,260	3,316,474
Defined employees' benefit plan obligations		12,005,328	12,755,689
<b>Total non-current liabilities</b>		<b>14,926,588</b>	<b>16,072,163</b>
<b>Current liabilities</b>			
Lease obligations, current portion		654,861	654,861
Accruals and other liabilities	13	5,396,661	7,041,368
Advances from customers		455,106	774,395
Accounts payable		4,112,422	3,238,853
Accrued dividends to shareholders		82,463	82,463
Zakat provision		2,019,978	2,859,596
<b>Total current liabilities</b>		<b>12,721,491</b>	<b>14,651,536</b>
<b>Total liabilities</b>		<b>27,648,079</b>	<b>30,723,699</b>
<b>Total equity and liabilities</b>		<b>289,355,702</b>	<b>299,425,560</b>

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 nine-months period ended September 30, 2023**  
(Saudi Riyals)

	Note	The Three Months period ended in September 30		The Nine Months period ended in September 30	
		2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
<b><u>Profit or loss</u></b>					
Sales, net	14	21,729,424	20,100,605	61,100,413	51,392,587
Cost of sales	14	(19,388,738)	(14,466,639)	(54,174,732)	(47,443,200)
<b>Gross profit (loss)</b>		<b>2,340,686</b>	<b>5,633,966</b>	<b>6,925,681</b>	<b>3,949,387</b>
Selling and marketing expenses		(1,025,068)	(1,951,951)	(4,137,965)	(3,743,737)
General and administrative expenses		(4,577,895)	(4,071,442)	(12,811,616)	(13,466,255)
<b>Net loss from main operations</b>		<b>(3,262,277)</b>	<b>(389,427)</b>	<b>(10,023,900)</b>	<b>(13,260,605)</b>
Financing costs		(48,818)	(48,818)	(146,453)	(146,453)
Other income, net	15	346,652	159,204	4,686,407	5,294,659
<b>Net loss for the period before zakat</b>		<b>(2,964,443)</b>	<b>(279,041)</b>	<b>(5,483,946)</b>	<b>(8,112,399)</b>
Zakat		(676,848)	(716,309)	(1,510,292)	(2,091,267)
<b>Net loss for the period</b>		<b>(3,641,291)</b>	<b>(995,350)</b>	<b>(6,994,238)</b>	<b>(10,203,666)</b>
<b><u>Other comprehensive income</u></b>					
<b>Total comprehensive loss for the period</b>		<b>(3,641,291)</b>	<b>(995,350)</b>	<b>(6,994,238)</b>	<b>(10,203,666)</b>
<b><u>Loss per share</u></b>					
loss per share from net loss from main operations	16	(0.22)	(0.03)	(0.67)	(0.88)
Loss per share from net loss for the period	16	(0.24)	(0.07)	(0.47)	(0.68)
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

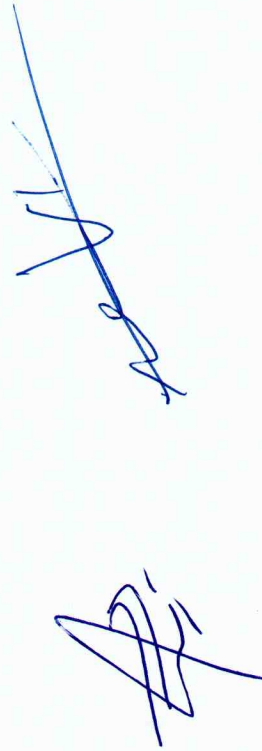
 



**Saudi Vitrified Clay Pipe Company**  
(Saudi Joint Stock Company)

**Condensed interim statement of changes in equity (unaudited)**  
**For the Nine Months period ended September 30, 2023**  
(Saudi Riyals)

	Share capital	Statutory reserve	Retained earnings	Total
<b>For the Nine months period ended September 30, 2022 (unaudited)</b>				
Balance as at January 1, 2022	150,000,000	75,000,000	51,933,869	276,933,869
Net loss for the period	-	-	(10,203,666)	(10,203,666)
<b>Balance as at September 30, 2022</b>	<b>150,000,000</b>	<b>75,000,000</b>	<b>41,730,203</b>	<b>266,730,203</b>
<b>For the Nine months period ended September 30, 2023 (unaudited)</b>				
Balance as at January 1, 2023	150,000,000	75,000,000	43,701,861	268,701,861
Net loss for the period	-	-	(6,994,238)	(6,994,238)
<b>Balance as at September 30, 2023</b>	<b>150,000,000</b>	<b>75,000,000</b>	<b>36,707,623</b>	<b>261,707,623</b>



The accompanying notes from (1) to (20) form an integral part of these condensed interim financial statements

**Saudi Vitriified Clay Pipe Company**  
(Saudi Joint Stock Company)

**Condensed interim statement of cash flows (unaudited)**  
**For the Nine Months period ended September 30, 2023**  
(Saudi Riyals)

	<b>For the Nine months period ended September 30</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash flows from operating activities</b>		
Net loss for the period	(6,994,238)	(10,203,666)
<b>Adjustments to reconcile net loss for the period to net cash provided by operating activities</b>		
Depreciation of property, plant, and equipment	9,702,710	9,541,062
Gains on sale of property, plant, and equipment	(134,445)	(8,997)
Amortization of intangible assets	256,659	256,659
Depreciation of right of use assets	388,065	388,065
Write off provision for expected credit losses	(3,048,921)	(21,088)
Provision formed for obsolete and slow-moving inventory	300,000	-
Financing costs	146,453	146,453
Defined employees' benefit plan obligations charged	1,180,128	1,245,855
Zakat provision charged	1,510,292	2,091,267
<b>Cash flows after adjusting for non-cash items</b>	<b>3,306,703</b>	<b>3,435,610</b>
<b>Changes in operating assets and liabilities</b>		
Prepaid expenses and other assets	1,934,320	(464,104)
Inventory	(4,812,117)	(1,257,983)
Accounts receivable	11,374,194	7,957,975
Accrued expenses and other liabilities	(1,644,707)	(620,822)
Advances from customers	(319,289)	(78,176)
Accounts payable	873,569	(2,447,770)
<b>Results from operations</b>	<b>10,712,673</b>	<b>6,524,730</b>
Defined employees' benefit plan obligations paid	(1,930,489)	(1,016,811)
Zakat provision paid	(2,349,910)	(3,060,570)
<b>Net cash provided by operating activities</b>	<b>6,432,274</b>	<b>2,447,349</b>
<b>Cash flows from investing activities</b>		
Additions to property, plant, and equipment	(1,188,696)	(58,796)
Proceeds from the sale of property, plant, and equipment	134,450	9,000
Additions to capital works under construction	(1,085,256)	(4,404,021)
<b>Net cash used in investing activities</b>	<b>(2,139,502)</b>	<b>(4,453,817)</b>
<b>Cash flows from financing activities</b>		
Lease obligations paid	(541,667)	(421,216)
<b>Net cash used in financing activities</b>	<b>(541,667)</b>	<b>(421,216)</b>
<b>Net change in cash and cash equivalent</b>	<b>3,751,105</b>	<b>(2,427,684)</b>
Cash and cash equivalent at the beginning of the period	39,135,249	36,225,600
<b>Cash and cash equivalent at the ending of the period</b>	<b>42,886,354</b>	<b>33,797,916</b>
<b>Non-cash transactions</b>		
Transferred from capital works under construction to property, plant, and equipment	7,787,096	-
Transferred from Advances to purchase machines and equipment to capital works under construction	1,208,298	-

The accompanying notes from (1) to (20) form an integral part of these condensed interim financial statements

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**Saudi Vitrified Clay Pipe Company**  
(Saudi Joint Stock Company)

**Notes to condensed interim financial statements (unaudited)**  
**For the Nine Months period ended September 30, 2023**

**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**

**Applicable accounting standards**

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.

**Functional and presentation currency**

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



**Notes to condensed interim financial statements (unaudited) (continued)**  
**For the Nine Months period ended September 30, 2023**

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

**Use of assumptions and estimates**

The preparation of the financial statements in accordance with the International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements supplementary to the International Standards endorsed by the Saudi Organization for Chartered and Professional Accountants requires the management to use assumptions and estimates that affect the recorded amounts of revenues, costs, assets, liabilities and disclosures about potential liabilities at the date of the financial period. However, uncertainty about these assumptions and estimates may result in results that may require a material adjustment to the carrying amount of the assets and liabilities affected in the future.

Estimates and related assumptions are reviewed on an ongoing basis, and revisions to estimates are recognized prospectively.

**Uncertainty of assumptions and estimates**

Fair value

Fair value is the price that would be received to sell an asset or 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 takes place between the asset, or transfer of the liability, that takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in the best and highest possible use of the asset, or by selling it to another market participant that would use the asset in the best and highest possible use of the asset.

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

Level 1: Quoted market prices in active markets for the same financial instruments.

Level 2: Valuation techniques that rely on inputs that affect the fair value that are directly or indirectly observable in the market.

Level 3: Valuation techniques that rely on fair value inputs that cannot be directly or indirectly observed in the market.

Going Concern

The Company's management made an assessment for its ability to continue as a going concern and concluded that it has the resources to continue its activity in the foreseeable future. In addition, the management is not aware of any material uncertainty that may cast doubt on the ability of the Company to continue according to the going concern basis. Accordingly, the condensed interim financial statements have been prepared on the going concern basis.

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

The Company's management estimates the estimated useful life of property, machines, 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 or residual value or depreciation or amortization method of property, machines, and equipment annually, whereby future depreciation or amortization is modified when management believes that the useful life, residual value or depreciation or amortization method is different from that used in previous periods.

**Notes to condensed interim financial statements (unaudited) (continued)**  
**For the Nine Months period ended September 30, 2023**

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

**Uncertainty of assumptions and estimates (continued)**

*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 statement of profit or loss.

*Discount rate for leases contracts*

The Company cannot easily determine the interest rate implicit in the lease, and therefore, it uses the default borrowing rate to measure lease liabilities. The default borrowing rate is the interest rate that a company would have to pay in order to borrow the necessary financing over a similar period and with the same collateral to obtain an asset of the same value as the Right to Use asset in a similar economic environment. Therefore, the default borrowing rate reflects what the Company "has to pay" which requires an estimate when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the default gearing rate using observable inputs (such as market interest rates) when available and this requires making some of its own estimates.

*Extension and termination options in lease contracts*

Extension and termination options are included in a number of lease contracts. These terms are used to increase operational flexibility in terms of contract management. Most of the extension and termination options held are exercisable by both the Company and the lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise the extension option, or not to exercise the termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or significant change in circumstances occurs that affects this assessment and is within the lessee's control.

*Impairment of receivables*

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

*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 of 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 employees' end-of-service plans and the present value of the end-of-service benefit obligations are determined using actuarial valuations. Actuarial valuations 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. Given the complexities involved in the valuation and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at the reporting date.

**Notes to condensed interim financial statements (unaudited) (continued)**  
**For the Nine Months period ended September 30, 2023**

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

**Uncertainty of assumptions and estimates (continued)**

Contingent liabilities

By their nature, contingent liabilities will only be settled upon the occurrence or non-occurrence of a future event or events. Evaluating such contingent liabilities essentially involves the exercise of significant judgments and estimates of future events.

Zakat

In calculating zakat for the current period, the Company adjusted its net profit and applied a certain discount to its zakat to calculate zakat expenses. The Company has made the best estimates of these assumptions.

**3 - Changes in significant accounting policies**

- A- 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, 2022, as there are no new standards that were issued, however, a number of amendments to the standards are effective from January 1, 2023, 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.
- B- Standards and amendments issued but not yet effective beginning on January 1, 2024: The following are the standards, interpretations and amendments that were issued but not yet effective until the date of issuance of the interim condensed financial statements. The Company intends to apply these standards, whenever possible, when they become effective, and they are not expected to have a material impact on the Company's financial statements:
- IFRS 16: Lease Obligations in Sale and Leaseback Transactions.
  - International Accounting Standard No. 1: Classification of liabilities as current or non-current and non-current liabilities with commitments.
  - IFRS 10 and IAS 28: Sale or contribution of assets between the investor and its associate or joint venture. This amendment is available for optional application/effective date deferred indefinitely.
  - Amendments to IAS 7 and IFRS 7 on supplier financing arrangements.
  - Amendments to IAS 21: Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability.
  - Amendments to IAS 12. International Tax Reform – Pillar Two Model Rules.

**4 - Summary of significant accounting policies**

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

**Current versus non-current classification**

The Company presents its assets and liabilities in the statement of financial position based on a current / non-current basis. The assets are considered as a current when its:

- Expected to be realized or intended to be sold or consumed in normal operating cycle.
- Held primarily for purpose of trading.
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalents, unless restricted from paying exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

All liabilities are considered as a current, when its:

- It is expected to be settled in normal operating cycle,
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

**Notes to condensed interim financial statements (unaudited) (continued)**  
**For the Nine Months period ended September 30, 2023**

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

**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:

<b>Description</b>	<b>Useful life</b>	<b>Description</b>	<b>Useful life</b>
Buildings erected on leased land	16-30 years old	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.

**Impairment of assets**

At each reporting date, the carrying amount of assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of a potential impairment, the recoverable amount of an affected asset (or related group of assets) is estimated and compared to its carrying amount. If the estimated recoverable amount is less, the carrying amount is reduced to its estimated recoverable amount, and the impairment loss is recognized directly in the statement of profit or loss.

In case that the non-financial assets impairment loss is reversed except for goodwill, the carrying amount of the assets (or a group of related assets) is increased to the adjusted estimate of the recoverable amount, but not more than the amount that would have been determined had no impairment loss been recorded for the assets (or a group of related assets) in prior years, a reversal of an impairment loss is recognized immediately in the statement of profit or loss.

**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.



Notes to condensed interim financial statements (unaudited) (continued)  
For the Nine Months period ended September 30, 2023

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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.

**Right of use assets**, is initially recognized:

- The initial measurement amount of the lease obligation that is the present value of future lease payments;
- Any lease payments made on or before the starting date of the lease contract minus any lease incentives received;
- Any initial direct costs incurred by the Company as a lessee;
- An estimate of the costs that the Company will incur as a lessee to dismantle and remove the assets, and return the site where the asset is located to the original state.

The right-of-use asset is subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses adjusted for any re-measurement of the lease obligation.

The Company depreciates the right-of-use asset over the estimated term of the lease on a straight-line basis.

The **lease liability** is subsequently measured as follows:

- Increasing the carrying amount to reflect the interest on the lease obligation;
- Reducing the carrying amount to reflect rental payments;
- Re-measure the carrying amount to reflect any revaluation or amendments to the lease agreement.

The Company separates the amounts paid into the original portion (presented within financing activities) and interest (presented within operating activities) in the condensed interim statement of cash flows.

In accordance with International Financial Reporting Standard No. (16), "right-to-use assets" are tested for impairment in accordance with International Accounting Standard No. 36 "Impairment of Assets".

**Notes to condensed interim financial statements (unaudited) (continued)**  
**For the Nine Months period ended September 30, 2023**

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

**Right of use assets and leases obligations (continued)**

**Lease term**

The Company defines the lease term as the irrevocable period in the lease agreement along with:

- the periods covered by the option to extend the lease contract if the Company is reasonably certain that it will exercise that option;
- The periods covered by the option to terminate the lease agreement if the Company is reasonably certain that it will not exercise this option.

With regard to short-term leases (lease term of 12 months or less) and low-value contracts, the Company recognized the rental expense on a straight-line basis as permitted in IFRS 16, which is the same method that was accounted for in accordance with the Accounting Standard International No. (17) "Lease Contracts".

**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.

**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):

**Notes to condensed interim financial statements (unaudited) (continued)**  
**For the Nine Months period ended September 30, 2023**

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

**Financial instruments (continued)**

**Financial assets at the amortized cost (continued)**

- 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.

**Notes to condensed interim financial statements (unaudited) (continued)**  
**For the Nine Months period ended September 30, 2023**

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

**Financial instruments (continued)**

**Impairment of financial assets (continued)**

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.

**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. Provision is charged, when necessary, for obsolete and slow-moving inventory.

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 and cash equivalent**

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

**Employees' benefits**

**- End of service benefits**

The end of service benefits provision is determined using the projected unit credit method, actuarial valuations being carried out at the end of annual reporting period. Remeasurements, comprising actuarial gains and losses, are recorded in the condensed interim 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.



**Notes to condensed interim financial statements (unaudited) (continued)**  
**For the Nine Months period ended September 30, 2023**

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

**Employees' benefits (continued)**

**- Short-term employee's benefits**

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

**Provisions**

Provisions must be recognized when the 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.

**Notes to condensed interim financial statements (unaudited) (continued)**  
**For the Nine Months period ended September 30, 2023**

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

**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.

**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.

Identify contracts with the client

The Company evaluates the terms and conditions of contracts with its customers because revenue is only recognized when performance obligations in contracts with customers are met. A change in the scope or price (or both) of a contract shall be considered as a modification of the contract and the Company should determine whether such change should be considered as a new contract or should be considered as part of the existing contract.

Identify performance obligations

Once the Company has identified a contract with a customer, it evaluates the contractual terms and customary business practices to determine all of the agreed services under the contract and which of those agreed services (or a group of agreed services) to be treated as separate performance obligations.

Determine the transaction price

The Company sets the transaction price as the amount it expects to receive. It includes an estimate of any variable consideration, the effect of the time value of money, the fair value of any non-monetary consideration, and the effect (if any) of any consideration paid or due to a customer. Variable consideration is limited to the amount for which there is a high probability that a significant reversal will not occur when the uncertainties associated with the variation have been resolved.

**Saudi Vitrified Clay Pipe Company**  
(Saudi Joint Stock Company)

**Notes to condensed interim financial statements (unaudited) (continued)**  
**For the Nine Months period ended September 30, 2023**

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

**Revenue recognition (continued)**

Allocation of transaction price

When determining the performance obligations and the transaction price, the transaction price is allocated to the performance obligations, usually in proportion to their stand-alone selling prices (on the basis of the relative stand-alone selling price). In determining standalone selling prices, the Company shall use observable information, if available. If standalone selling prices are not directly observable, the Company uses estimates based on reasonably available information.

Revenue recognition

Revenue is recognized only when the Company satisfies a performance obligation by transferring control of an agreed service to a customer. It is possible to transfer control over time or at a specific time. When a performance obligation is satisfied over a period of time, the Company determines the progress under the contract based on the input or output method which serves as the best measure of performance completed to date. The specified method is applied consistently to similar performance obligations and in similar circumstances.

Recognition of revenue from sales of goods

Sales of goods are recognized when the goods have been delivered and the significant benefits and risks of ownership of the goods have transferred to the buyer and issuing the related invoices, usually on delivery of the goods, as this is the point in time at which the amount is unconditional, because only the passage of time is required before payment is due.

**Other revenue**

Other revenues are recognized when earned.

**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 directors, maintenance fees, rental expenses, insurance, professional fees, and other.

**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.

**Saudi Vitrified Clay Pipe Company**  
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**Notes to condensed interim financial statements (unaudited) (continued)**  
**For the Nine Months period ended September 30, 2023**

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

**Loss per share**

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

**Foreign currency transactions**

Transactions in foreign currencies are carried out into Saudi Riyals at the exchange rates prevailing at the time of the transaction. Monetary assets and liabilities in foreign currencies as at the date of the 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 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 on September 30, 2023 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.



**Saudi Vitrified Clay Pipe Company**  
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**Notes to condensed interim financial statements (unaudited) (continued)**  
**For the Nine Months period ended September 30, 2023**  
(Saudi Riyals)

**6 - Property, Plant and equipment, net**

A- This item consists of the following:

As at September 30, 2023 (unaudited)	Buildings erected on leased lands – B		Machinery and equipment – D		Vehicles and fixtures SR		Furniture and equipment's SR		Heavy equipment's SR		Computers and printers SR		Leasehold improvement – E		Spare parts – D		Total	
	SR		SR		SR		SR		SR		SR		SR		SR		SR	
<b>Cost</b>																		
Balance, beginning of the period	98,000,153		405,204,649		3,802,207		3,115,365		5,710,825		154,357		1,351,640		8,322,101		525,661,297	
Additions	-		297,105		758,482		37,957		-		95,152		-		-		1,188,696	
Transfer from Capital works under construction (note 8)	2,559,579		5,227,517		-		-		-		-		-		-		7,787,096	
Disposals	(477,382)		-		(999,526)		-		-		-		-		-		(1,476,908)	
<b>Balance, ending of the period</b>	<b>100,082,350</b>		<b>410,729,271</b>		<b>3,561,163</b>		<b>3,153,322</b>		<b>5,710,825</b>		<b>249,509</b>		<b>1,351,640</b>		<b>8,322,101</b>		<b>533,160,181</b>	
<b>Accumulated depreciation</b>																		
Balance, beginning of the period	64,374,079		274,262,790		3,802,178		3,062,449		5,038,008		130,692		1,351,638		7,008,754		359,030,588	
Charged for the period	1,602,575		7,764,572		88,489		12,315		149,871		11,922		-		72,966		9,702,710	
Disposals	(477,382)		-		(999,521)		-		-		-		-		-		(1,476,903)	
<b>Balance, ending of the period</b>	<b>65,499,272</b>		<b>282,027,362</b>		<b>2,891,146</b>		<b>3,074,764</b>		<b>5,187,879</b>		<b>142,614</b>		<b>1,351,638</b>		<b>7,081,720</b>		<b>367,256,395</b>	
<b>Net book value</b>	<b>34,583,078</b>		<b>128,701,909</b>		<b>670,017</b>		<b>78,558</b>		<b>522,946</b>		<b>106,895</b>		<b>2</b>		<b>1,240,381</b>		<b>165,903,786</b>	

**Saudi Vitrified Clay Pipe Company**  
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**Notes to condensed interim financial statements (unaudited) (continued)**  
**For the Nine Months period ended September 30, 2023**  
(Saudi Riyals)

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

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

As at December 31, 2022	Buildings erected on leased lands – B	Machinery and equipment – D	Vehicles SR	Furniture and fixtures SR	Heavy equipment's SR	Computers and printers SR	Leasehold improvement		Spare parts – D	Total SR
	SR	SR	SR	SR	SR	SR	– E	SR	SR	SR
<b>Cost</b>										
Balance, beginning 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	
Additions	-	31,723	-	54,065	-	19,282	-	-	105,070	
Transfer from inventory spare parts	-	-	-	-	-	-	-	1,459,273	1,459,273	
Transfer from assets spare parts	-	1,045,117	-	-	-	-	-	(1,045,117)	-	
Disposal	-	-	(147,000)	-	(225,000)	-	-	-	(372,000)	
<b>Balance, ending of the year</b>	<b>98,000,153</b>	<b>405,204,649</b>	<b>3,802,207</b>	<b>3,115,365</b>	<b>5,710,825</b>	<b>154,357</b>	<b>1,351,640</b>	<b>8,322,101</b>	<b>525,661,297</b>	
<b>Accumulated depreciation</b>										
Balance, beginning 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	
Charge for the year	2,079,888	10,323,795	1,750	18,644	224,871	8,606	53,998	145,927	12,857,479	
Transfer from assets spare parts	-	1,045,117	-	-	-	-	-	(1,045,117)	-	
Disposal	-	-	(146,999)	-	(224,997)	-	-	-	(371,996)	
<b>Balance, ending of the year</b>	<b>64,374,079</b>	<b>274,262,790</b>	<b>3,802,178</b>	<b>3,062,449</b>	<b>5,038,008</b>	<b>130,692</b>	<b>1,351,638</b>	<b>7,008,754</b>	<b>359,030,588</b>	
<b>Net book value</b>	<b>33,626,074</b>	<b>130,941,859</b>	<b>29</b>	<b>52,916</b>	<b>672,817</b>	<b>23,665</b>	<b>2</b>	<b>1,313,347</b>	<b>166,630,709</b>	

B- The buildings costing SR 100,082,350 as at September 30, 2023 (December 31, 2022: 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 September 30, 2023 includes assets that have been fully depreciated and are still operating at a cost of SR 150,652,820 (December 31, 2022: SR 151,664,662).

D- The spare parts item, which costs SR 8,322,101 as at September 30, 2023 (December 31, 2022: SR 8,322,101), represents strategic parts for machinery and equipment costing SR 410,729,271 as at September 30, 2023 (December 31, 2022: SR 405,204,649).

E- All improvements costing SR 1,351,640 as at September 30, 2023 (December 31, 2022: SR 1,351,640) were made on premises leased under renewable operating leases.

**Saudi Vitriified Clay Pipe Company**  
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**Notes to condensed interim financial statements (unaudited) (continued)**

**For the Nine Months period ended September 30, 2023**

(Saudi Riyals)

**7 - Intangible assets, net**

A- The following is the movement of intangible assets:

	<b>September 30, 2023</b> <b>(Unaudited)</b>	<b>December 31, 2022</b> <b>(audited)</b>
<b>Cost</b>		
Balance as of beginning of the period / year	<b>1,711,060</b>	1,711,060
<b>Balance as of ending of the period / year</b>	<b>1,711,060</b>	<b>1,711,060</b>
<b>Accumulated amortization</b>		
Balance as of beginning of the period / year	<b>1,368,848</b>	1,026,636
Charged for the period / year	<b>256,659</b>	342,212
<b>Balance as of ending of the period / year</b>	<b>1,625,507</b>	<b>1,368,848</b>
<b>Net book value</b>	<b>85,553</b>	<b>342,212</b>

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

**8 - Capital works under construction**

The following is the movement of capital works under construction:

	<b>September 30, 2023</b> <b>(Unaudited)</b>	<b>December 31, 2022</b> <b>(audited)</b>
Balance as of beginning of the period / year	<b>5,572,362</b>	-
Additions during the period / year	<b>1,085,256</b>	5,572,362
Transfer from advance payments to purchase machines and equipment	<b>1,208,298</b>	-
Transferred to property, plant, and equipment (note 6)	<b>(7,787,096)</b>	-
<b>Balance as of ending of the period / year</b>	<b>78,820</b>	<b>5,572,362</b>

**9 - Prepaid expenses and other assets**

	<b>September 30, 2023</b> <b>(Unaudited)</b>	<b>December 31, 2022</b> <b>(audited)</b>
Prepaid expenses	<b>836,067</b>	807,725
Advance payments to suppliers	<b>645,466</b>	1,537,161
Refundable deposit	<b>145,272</b>	145,272
Employees advance	<b>9,418</b>	16,148
Letter of credit	-	1,064,237
	<b>1,636,223</b>	<b>3,570,543</b>

**Saudi Vitrified Clay Pipe Company**  
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**Notes to condensed interim financial statements (unaudited) (continued)**  
**For the Nine Months period ended September 30, 2023**  
(Saudi Riyals)

**10 -Inventory, net**

A- This item consists of the following:

	<b>September 30, 2023</b> <b>(Unaudited)</b>	<b>December 31, 2022</b> <b>(audited)</b>
Spare parts	17,242,995	17,561,748
Work in process	12,881,203	10,348,270
Raw Materials	9,280,304	7,945,636
Finished goods	4,800,592	3,602,849
Accessories	2,575,130	2,299,458
Packaging inventory	728,208	938,354
	<b>47,508,432</b>	<b>42,696,315</b>
Provision for damaged, obsolete, and slow moving – b	<b>(2,302,105)</b>	<b>(2,002,105)</b>
	<b>45,206,327</b>	<b>40,694,210</b>

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

	<b>September 30, 2023</b> <b>(Unaudited)</b>	<b>December 31, 2022</b> <b>(audited)</b>
Balance as of beginning of the period / year	2,002,105	2,002,105
Charged during the period / year	300,000	-
<b>Balance as of closing of the period / year</b>	<b>2,302,105</b>	<b>2,002,105</b>

**11 -Accounts receivable, net**

A- This item consists of the following:

	<b>September 30, 2023</b> <b>(Unaudited)</b>	<b>December 31, 2022</b> <b>(audited)</b>
Accounts receivable – b	42,633,392	54,007,586
Provision for expected credit losses – c	<b>(12,906,701)</b>	<b>(15,955,622)</b>
	<b>29,726,691</b>	<b>38,051,964</b>

B- The following is the aging of receivables:

	<b>September 30, 2023</b> <b>(Unaudited)</b>	<b>December 31, 2022</b> <b>(audited)</b>
Up to 3 months	23,707,637	22,211,090
From 3 months up to 6 months	3,224,282	4,257,510
From 6 months up to one year	3,600,450	7,765,964
More than one year	12,101,023	19,773,022
	<b>42,633,392</b>	<b>54,007,586</b>

C- The following is the movement of provision for expected credit losses:

	<b>September 30, 2023</b> <b>(Unaudited)</b>	<b>December 31, 2022</b> <b>(audited)</b>
Balance as of beginning of the period / year	15,955,622	16,472,044
Write off during the period / year	<b>(3,048,921)</b>	<b>(516,422)</b>
<b>Balance as of closing of the period / year</b>	<b>12,906,701</b>	<b>15,955,622</b>

**12 -Cash and cash equivalent**

	<b>September 30, 2023</b> <b>(Unaudited)</b>	<b>December 31, 2022</b> <b>(audited)</b>
Cash on hand	21,423	6,588
Cash at banks	12,864,931	39,128,661
Bank deposit	30,000,000	-
	<b>42,886,354</b>	<b>39,135,249</b>



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**13 -Accruals and other liabilities**

	September 30, 2023 (Unaudited)	December 31, 2022 (audited)
Salaries and benefits	1,704,926	2,205,752
Due to related parties *	1,547,250	2,037,500
VAT payable	554,069	734,645
Other	1,590,416	2,063,471
	<u>5,396,661</u>	<u>7,041,368</u>

\* These related parties balances are representing fees for attending meetings and bonuses for members of the Board of Directors and other committees.

**14 -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:

	<u>For the Nine-month period ending on September 30, 2023 (Unaudited)</u>		
	Inside KSA	Outside KSA	Total
Sales, net	54,530,793	6,569,620	61,100,413
Cost of sales	(48,349,773)	(5,824,959)	(54,174,732)
Gross profit	<u>6,181,020</u>	<u>744,661</u>	<u>6,925,681</u>

	<u>For the Nine-month period ending on September 30, 2022 (Unaudited)</u>		
	Inside KSA	Outside KSA	Total
Sales, net	48,814,041	2,578,546	51,392,587
Cost of sales	(45,062,809)	(2,380,391)	(47,443,200)
Gross loss	<u>3,751,232</u>	<u>198,155</u>	<u>3,949,387</u>

B- The Company's net sales out of kingdom of Saudi Arabia are amounted to SR 6,569,620 for the period ended in September 30, 2023 which represents 10.75% from total company's sales (September 30, 2022: SR 2,578,546 which represents 5.02% from net company's sales).

**15 -Other income, net**

A- This item comprises of the following:

	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)
Compensation for terminating a government contract – B	3,416,808	-
Scrap sales	592,507	-
Income from bank deposit	549,000	-
Gains on sale of property, plant, and equipment	134,445	8,997
(losses) gains from exchange rate currency differences	(396,831)	436,402
Other	390,478	349,260
Insurance compensation	-	4,500,000
	<u>4,686,407</u>	<u>5,294,659</u>

B- During the year 2023, it was agreed between the Company and a customer to terminate existing supply projects contracts in exchange for a financial compensation amounting to SR 3,416,808. Consideration has been received in cash.

**Notes to condensed interim financial statements (unaudited) (continued)**  
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**16 - Loss per share**

Basic and diluted loss per share is calculated from the net loss for the period by dividing the net loss for the period by the weighted average number of shares outstanding as at the end of the year which is 15 million shares. Basic and diluted loss per share from main operations is calculated by dividing the net loss from main operations for the period by the weighted average number of outstanding shares as at the end of the period which is 15 million shares. A diluted share loss is the same as a basic share loss since the Company does not have any dilutive equity.

	<b>For the Three Months period ended September 30</b>		<b>For the Nine Months period ended September 30</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net loss from the main operation	(3,262,277)	(389,427)	(10,023,900)	(13,260,605)
Net loss for the period	(3,641,291)	(995,350)	(6,994,238)	(10,203,666)
Weighted average number of outstanding shares at the end of the period	15,000,000	15,000,000	15,000,000	15,000,000
loss per share from net loss from main operations	(0.22)	(0.03)	(0.67)	(0.88)
Loss per share from net loss for the period	(0.24)	(0.07)	(0.47)	(0.68)

**17 - Financial instruments, risk management and fair value**

**Financial instruments**

Financial instruments included in the statement of financial position mainly include cash and cash equivalent, receivables, prepaid expenses, other assets, accounts payable, accrued expenses and other liabilities.

**Risk Management**

The Company's management has overall responsibility for setting and supervising the Company's risk management frameworks. The Company's risk management policies have been developed to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adhere to those limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. Through its training and management procedures and standards, the Company aims to have a constructive and regular control environment in which employees are aware of their responsibilities and obligations.

**Credit risk**

Credit risk represents the risk of financial loss that the Company faces in the event that the customer or counterparty in a financial instrument fails to fulfill its contractual obligations, and it mainly arises from cash and cash equivalent and receivables. The maximum exposure to credit risk represents the carrying value of these assets.

The cash balance is represented in current accounts, and as the cash is deposited with financial institutions with high credit ratings, the management believes that the Company is not exposed to significant risks. Credit risk related to customers is managed by the business unit which is subject to the Company's policies, procedures and controls on managing credit risk related to customers. Credit limits are set for all customers using internal and external rating criteria and controls. The credit quality of customers is assessed according to a credit rating system.

The following is a detail of the credit risks to which the Company is exposed:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
	<b>(Unaudited)</b>	<b>(audited)</b>
Account receivables	42,633,392	54,007,586
Cash and cash equivalent	42,864,931	39,128,661
	<b>85,498,323</b>	<b>93,136,247</b>

**Notes to condensed interim financial statements (unaudited) (continued)**  
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**17 -Financial instruments, risk management and fair value (continued)**

**Risk Management (continued)**

**Market risk**

Market risk is the risk of the potential impact of changes in market prices such as foreign exchange rates and commission rates. The objective of market risk management is to manage and control exposure to market risks within acceptable limits while achieving the highest possible return.

**Foreign exchange rate risk:** Foreign exchange rate risk results from changes and fluctuations in the value of financial instruments as a result of changes in foreign exchange rates. The Company's foreign currency risk management aims to protect future cash flows in Saudi Riyals, US Dollars and European Euros. Foreign currency exposures related to cash flows are considered at the Company level and mainly consist of currency exchange risks arising from accounts payable and receivable. The Company's management monitors currency exchange rates and believes that the risks of fluctuations in currency exchange rates are not significant.

**Commission rate risk:** Commission risk arises from possible changes and fluctuations in commission rates that affect future profit or fair values of financial instruments. The Company monitors commission rate fluctuations and believes that the effect of commission rate risk is ineffective.

**Capital risk**

The main objective of the Company's capital management is to support its business and increase the return to the owners.

The Company's policy is to maintain a strong capital base to maintain the confidence of the users of the financial statements and to maintain the future development of the business. The Company manages its capital structure and adjusts it in light of changes in economic conditions. The management monitors the return on capital, which the Company determines as a result of operating activities divided by total equity. There were no changes in the Company's method of managing capital during the year. The management also monitors the level of dividends for the owners. The Company has not been subject to externally imposed capital requirements.

The following is an analysis of the Company's debt to equity ratios at the end of the year:

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Total liabilities	<b>27,648,079</b>	30,723,699
Less: Cash balances	<b>(42,886,354)</b>	(39,135,249)
Net	-	-
Total equity	<b>261,707,623</b>	268,701,861
Liability to equity	-	-

**Liquidity risk**

Liquidity risk represents the Company's difficulties in meeting commitments associated with its financial liabilities. The Company's approach to managing liquidity risk is to maintain sufficient cash and cash equivalents and ensure that funds are available to meet commitments as they fall due.

The management monitors the risk of liquidity shortage using forecast models to determine the effects of operating activities on the overall liquidity availability, and maintains an available cash liquidity ratio, which ensures debt repayment when due.

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

*Liquidity risk (continued)*

The table below summarizes the maturity dates of the Company's financial liabilities based on contractual undiscounted payments:

<b><u>As at September 30, 2022</u></b> <b><u>(unaudited)</u></b>	<b>1 – 12 Months</b>	<b>1 -5 Years</b>	<b>More than 5 Years</b>	<b>Indefinite term</b>	<b>Total</b>
Lease obligations	654,861	1,662,048	1,259,212	-	3,576,121
Defined employees benefit plan obligations	-	-	-	12,005,328	12,005,328
Accruals and other liabilities	5,396,661	-	-	-	5,396,661
Advances from customers	455,106	-	-	-	455,106
Accounts payable	4,112,422	-	-	-	4,112,422
Accrued dividends to shareholders	82,463	-	-	-	82,463
Zakat provision	2,019,978	-	-	-	2,019,978
<b>Total</b>	<b>12,721,491</b>	<b>1,662,048</b>	<b>1,259,212</b>	<b>12,005,328</b>	<b>27,648,079</b>

<b><u>As at December 31, 2022</u></b> <b><u>(audited)</u></b>	<b>1 – 12 Months</b>	<b>1 -5 Years</b>	<b>More than 5 Years</b>	<b>Indefinite term</b>	<b>Total</b>
Lease obligations	654,861	2,339,725	976,749	-	3,971,335
Defined employees benefit plan obligations	-	-	-	12,755,689	12,755,689
Accruals and other liabilities	7,041,368	-	-	-	7,041,368
Advances from customers	774,395	-	-	-	774,395
Accounts payable	3,238,853	-	-	-	3,238,853
Accrued dividends to shareholders	82,463	-	-	-	82,463
Zakat provision	2,859,596	-	-	-	2,859,596
<b>Total</b>	<b>14,651,536</b>	<b>2,339,725</b>	<b>976,749</b>	<b>12,755,689</b>	<b>30,723,699</b>



**Notes to condensed interim financial statements (unaudited) (continued)**  
**For the Nine Months period ended September 30, 2023**  
(Saudi Riyals)

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

**Fair value**

Fair value is the price that would be received to sell an asset or 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 the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- In the most appropriate market for the asset or liability in the absence of a principal market.

The main market or the most advantageous market must be available to the company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that these parties seek to achieve their greatest economic benefit. A fair value measurement of a non-financial asset considers the ability of a market participant to generate economic benefits by using the asset in its best use or selling it to another market participant for its best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, validating the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, as described as follows, based on the lowest level entry that is significant to the fair value measurement as a whole:

- Level 1 - Quoted prices (without adjustment) in active markets for identical assets or liabilities.
- Level 2 - valuation techniques for which the minimum input that is directly or indirectly significant is observable to the fair value measurement.
- Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is observable.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the entire measurement is categorized within the same level of the hierarchy as the lowest level input that is significant as a whole.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period in which the change has occurred.

The following table shows the book value of financial assets and liabilities. This does not include information about the fair value of financial assets and liabilities, as their fair value does not differ significantly from their book value:

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

**Fair value (continued)**

	<b>Book value</b>	
	<b>September 30, 2023 (unaudited)</b>	<b>December 31, 2022 (audited)</b>
<b>Financial assets</b>		
Prepaid expenses and other assets	1,636,223	3,570,543
Accounts receivable, net	29,726,691	38,051,964
Cash on hand and banks balances	42,886,354	39,135,249
	<b>74,249,268</b>	<b>80,757,756</b>
<b>Financial liabilities</b>		
Leases obligations	3,576,121	3,971,335
Accruals and other liabilities	5,396,661	7,041,368
Contract obligations with customers	455,106	774,395
Account payables	4,112,422	3,238,853
	<b>13,540,310</b>	<b>15,025,951</b>

**18 -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 September 30, 2023 for a total amount of SR 50,000 (December 31, 2022: SR 14.848 million).

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

- A lawsuit filed by the Company (in its capacity as the plaintiff) against the Commercial Services and Agencies Limited Company (in its capacity as the defendant), The matter relates to the claim of the Saudi Clay Pipe Production Company to refund the money owed by the Commercial Services and Agencies Limited Company in the amount of 3,505,778 Saudi riyals. The judgment was made in favor of the company for the full amount.
- The Company has financial claims in which Azmeel Company is claiming an amount of 194,630 Saudi riyals. The financial claim was 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 were approved in full.
- The Company has financial claims in which Haider Saleh Al Haider and his partner Company is claiming an amount of 833,476 Saudi riyals. The final judgment in the case was issued in favor of the Company and it was submitted to the Execution Court and the necessary decisions in this regard were issued and awaiting implementation.
- The Company has financial claims, in which Al-Mashareq Trading and Contracting Company claims an amount of 610,445 Saudi riyals. The final judgment in the case was issued in favor of the Company and it was submitted to the Execution Court, and the necessary decisions in this regard were issued and awaiting implementation.

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**Notes to condensed interim financial statements (unaudited) (continued)**  
**For the Nine Months period ended September 30, 2023**

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**18 -Contingent liabilities and outstanding issues (continued)**

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

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
	<b>(Unaudited)</b>	<b>(audited)</b>
Within one year.	<b>148,650</b>	<b>148,650</b>

**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 13 Rabi' al-Thani 1445AH (corresponding to October 28, 2023).