

**SAUDI VITRIFIED CLAY PIPES COMPANY**  
SAUDI JOINT STOCK COMPANY

CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2025

<b>Contents</b>	<b>Page</b>
- Independent Auditor's Report	1 - 4
- Consolidated statement of financial position	5
- Consolidated statement of profit or loss and other comprehensive income	6
- Consolidated statement of changes in equity	7
- Consolidated statement of cash flows	8 - 9
- Notes to the consolidated financial statements	10 - 48



## Independent Auditor's Report

To the shareholders of  
Saudi Vitrified Clay Pipes Company  
Saudi Joint Stock Company

### Opinion

We have audited the accompanying consolidated financial statements of Saudi Vitrified Clay Pipes Company (A Saudi joint stock company) (the "Company"), and its subsidiaries (collectively as the "Group") which comprise the consolidated statement of financial position as of 31 December 2025, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code") that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with Code requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 2-1 in the consolidated financial statements, which indicates that the Group incurred a net loss of 32.5 million for the year ended 31 December 2025. As at that date, the accumulated losses exceeded 50% of the Company's share capital. These events and conditions, along with other matters as set forth in Note 2-1, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The Group's ability to continue its operations is dependent upon the successful completion of the planned rights issue expected to be finalized during 2026, as well as the restructuring of certain of the Group's financing facilities. The parent company has assessed that these actions will be successfully completed within the current year. Accordingly, the consolidated financial statements have been prepared on a going concern basis. Our opinion is not modified in respect of this matter.

## Independent Auditor's Report (Continued)

To the shareholders of  
**Saudi Vitrified Clay Pipes Company**  
 Saudi Joint Stock Company

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

A description of each key audit matter and how it was addressed is provided below:

Key audit matter	How our audit addressed the key audit matter
<p><b>Impairment Assessment of Non-Financial Assets – Goodwill</b></p> <p>As at 31 December 2025, the Group recognized goodwill amounting to ﷲ 7,427,433 arising from prior business combinations.</p> <p>In accordance with IAS 36 Impairment of Assets, which requires an entity to test goodwill acquired in a business combination for impairment at least annually, irrespective of whether there is any indication of impairment, management performed its annual impairment assessment.</p> <p>Goodwill is monitored by management at the level of cash-generating units (CGUs). As at 31 December 2025, management conducted an impairment test for goodwill allocated to each CGU by determining the recoverable amount based on value in use. This was derived using a discounted cash flow model, prepared based on the Group's latest formally approved business plan. The assessment resulted in the recognition of an impairment loss amounting to ﷲ 2,300,000.</p> <p>We considered the goodwill impairment assessment performed by management to be a key audit matter due to the complexity involved in determining the recoverable amount based on value in use, which requires significant management judgment.</p> <p>Key areas of judgment applied by management include:</p> <ul style="list-style-type: none"> <li>• Assumptions related to expected economic conditions, particularly growth in the markets in which the Group primarily operates;</li> <li>• Assumptions regarding the impact of future actions by key competitors on projected revenues and gross profit margins; and</li> <li>• Sales growth rates and pre-tax discount rates applied in the value in use model.</li> </ul> <p>Refer to Note 3-2 for the accounting policy and Note 7 for the relevant disclosures in the accompanying consolidated financial statements.</p>	<p>Our procedures included, among other things, the following:</p> <ul style="list-style-type: none"> <li>• We evaluated the methodology applied by management in determining the recoverable amount of the assets at the level of each cash-generating unit (CGU) based on value in use, and assessed its compliance with the requirements of IAS 36 Impairment of Assets. We inquired of management and discussed any changes made to the impairment model during the current year. We also tested the mathematical accuracy of the model;</li> <li>• We tested the accuracy and relevance of the input data used in the model by reference to supporting evidence, including approved budgets. We further assessed the reasonableness of these budgets by comparing them with the Group's historical performance against prior forecasts;</li> <li>• We evaluated the methodology applied in supporting the value in use calculations and assessed the key assumptions used, in particular sales growth rates and pre-tax discount rates; and</li> <li>• We performed sensitivity analyses on key assumptions, primarily sales growth rates and pre-tax discount rates, to evaluate the potential impact across a range of reasonably possible outcomes.</li> </ul> <p>In addition, we assessed the adequacy of the Group's disclosures included in the accompanying consolidated financial statements.</p>

## Independent Auditor's Report (Continued)

To the shareholders of  
**Saudi Vitrified Clay Pipes Company**  
Saudi Joint Stock Company

### Other information

Other information consists of the information included in the Group's 2025 annual report, other than the consolidated financial statements and our auditor's report thereon. The management is responsible for the other information in the annual report of the Group. The Group's annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements adopted by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the audit committee, are responsible for overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



## Independent Auditor's Report (Continued)

To the shareholders of  
Saudi Vitrified Clay Pipes Company  
Saudi Joint Stock Company

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Alzoman, Alfahad & Alhajaj Professional Services

Zaher Abdullah Al-Hajjaj  
Certified Public Accountant  
License No. 552

Riyadh, Kingdom of Saudi Arabia

Date: 19 Shawwal 1447H

Corresponding to: 07 April 2026



**SAUDI VITRIFIED CLAY PIPES COMPANY**  
SAUDI JOINT STOCK COMPANY  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF 31 DECEMBER 2025  
(ALL AMOUNTS ARE IN SAUDI RIYALS "ﷲ" UNLESS OTHERWISE NOTED)

	Notes	31 December 2025	31 December 2024
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	34,862,274	63,087,091
Capital Work-in-Progress	6	32,238,943	430,100
Intangible assets and goodwill	7	5,371,239	7,617,840
Right-of-use assets	8	8,153,963	10,150,130
<b>Total non-current assets</b>		<b>80,626,419</b>	<b>81,285,161</b>
<b>Current assets</b>			
Inventory	9	27,309,092	42,853,797
Trade receivables	11	25,018,934	20,971,713
Prepayments and other assets	10	5,445,409	5,627,193
Cash and cash equivalents	12	14,229,893	4,218,244
<b>Total current assets</b>		<b>72,003,328</b>	<b>73,670,947</b>
<b>Total Assets</b>		<b>152,629,747</b>	<b>154,956,108</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	1	150,000,000	150,000,000
Accumulated losses		(80,930,321)	(47,963,420)
<b>Total equity</b>		<b>69,069,679</b>	<b>102,036,580</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Interest-bearing loans	15	16,000,000	-
Lease liabilities	8	6,757,334	8,523,605
Defined benefit plan obligations	13	12,433,945	11,629,328
Deferred government grants		2,100,254	2,179,011
<b>Total non-current liabilities</b>		<b>37,291,533</b>	<b>22,331,944</b>
<b>Current liabilities</b>			
Lease liabilities	8	1,108,651	1,207,302
Accrued expenses and other liabilities	14	6,901,548	4,748,960
Interest-bearing loans	15	16,379,182	12,060,272
Deferred government grants		78,757	78,757
Short-term Murabaha	16	8,619,716	5,000,000
Trade Payables		9,525,649	4,157,232
Contract liabilities with customers		928,183	737,634
Accrued Zakat	17	2,726,849	2,597,427
<b>Total current liabilities</b>		<b>46,268,535</b>	<b>30,587,584</b>
<b>Total liabilities</b>		<b>83,560,068</b>	<b>52,919,528</b>
<b>Total equity and liabilities</b>		<b>152,629,747</b>	<b>154,956,108</b>

Chief Financial Officer  
Abdulkhaleq Abdullah Babiker Al-Hassan



Chief Executive Officer  
Saad Saud Al-Sayyari



The accompanying notes from 1 to 30 form an integral part of these consolidated financial statements.

**SAUDI VITRIFIED CLAY PIPES COMPANY**  
SAUDI JOINT STOCK COMPANY  
CONSOLIDATED STATEMENT OF PROFIT AND LOSS  
FOR THE YEAR ENDED 31 DECEMBER 2025  
(ALL AMOUNTS ARE IN SAUDI RIYALS "ﷲ" UNLESS OTHERWISE NOTED)

	Notes	31 December 2025	31 December 2024
Revenue from contracts with customers	18	<b>68,268,505</b>	58,487,014
Cost of revenue	19	<b>(83,816,645)</b>	(62,698,832)
<b>Total loss</b>		<b>(15,548,140)</b>	(4,211,818)
Selling and distribution expenses	20	<b>(7,219,128)</b>	(3,078,037)
General and administrative expenses	21	<b>(21,428,751)</b>	(19,965,075)
(Provision ) reversal of expected credit losses	11	<b>(1,622,586)</b>	2,637,338
Impairment losses on property, plant and equipment	5	<b>(3,043,365)</b>	(80,237,609)
Impairment losses on goodwill	7	<b>(2,300,000)</b>	-
<b>Loss from operations</b>		<b>(51,161,970)</b>	(104,855,201)
Finance Cost	22	<b>(1,840,617)</b>	(1,732,919)
Other income (expenses)	23	<b>22,031,171</b>	(411,122)
<b>Loss from continuing operations before Zakat</b>		<b>(30,971,416)</b>	(106,999,242)
Zakat expenses	17	<b>(1,521,084)</b>	(1,446,108)
<b>Loss for the year from continuing operations</b>		<b>(32,492,500)</b>	(108,445,350)
<b>Other Comprehensive Income:</b>			
<b>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of Zakat</b>			
(Loss) / Gain on re-measurement of employees' defined benefit plans	13	<b>(474,401)</b>	607,940
<b>Other comprehensive loss for the year, after Zakat</b>		<b>(474,401)</b>	607,940
<b>Total comprehensive loss for the year after Zakat</b>		<b>(32,966,901)</b>	(107,837,410)
<b>Loss per share</b>			
Basic and diluted loss per share from net loss for the year	24	<b>(2.17)</b>	(7.23)

Chief Financial Officer  
Abdulkhaleq Abdullah Babiker Al-Hassan

Chief Executive Officer  
Saad Saud Al-Sayyari

**SAUDI VITRIFIED CLAY PIPES COMPANY**

SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

(ALL AMOUNTS ARE IN SAUDI RIYALS "ر." UNLESS OTHERWISE NOTED)

	<u>Share capital</u>	<u>Statutory Reserve</u>	<u>Accumulated Losses</u>	<u>Total Equity</u>
<b>Balance as at 1 January 2024</b>	150,000,000	75,000,000	(15,126,010)	209,873,990
Transferred from statutory reserve to retained earnings (Note 1)	-	(75,000,000)	75,000,000	-
Net Loss for the Year	-	-	(108,445,350)	(108,445,350)
Other comprehensive income	-	-	607,940	607,940
Total other comprehensive Loss	-	-	(107,837,410)	(107,837,410)
<b>Balance as at 31 December 2024</b>	<u>150,000,000</u>	<u>-</u>	<u>(47,963,420)</u>	<u>102,036,580</u>
Balance as at 1 January 2025	<b>150,000,000</b>	-	<b>(47,963,420)</b>	<b>102,036,580</b>
Net Loss for the Year	-	-	<b>(32,492,500)</b>	<b>(32,492,500)</b>
Other comprehensive Loss	-	-	<b>(474,401)</b>	<b>(474,401)</b>
Total other comprehensive Loss	-	-	<b>(32,966,901)</b>	<b>(32,966,901)</b>
<b>Balance as at 31 December 2025</b>	<u>150,000,000</u>	<u>-</u>	<u>(80,930,321)</u>	<u>69,069,679</u>

Chief Financial Officer  
Abdulkhaleq Abdullah Babiker Al-Hassan

Chief Executive Officer  
Saad Saud Al-Sayyari

The accompanying notes from 1 to 30 form an integral part of these consolidated financial statements.

**SAUDI VITRIFIED CLAY PIPES COMPANY**  
SAUDI JOINT STOCK COMPANY  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2025  
(ALL AMOUNTS ARE IN SAUDI RIYALS "ﷲ" UNLESS OTHERWISE NOTED)

	Notes	31 December 2025	31 December 2024
<b>Operating activities</b>			
Net Losses for the Year Before Zakat		<b>(30,971,416)</b>	(106,999,242)
<b>Adjustments to reconcile loss before Zakat to net cash flows:</b>			
Depreciation of property, plant and equipment	5	<b>4,580,607</b>	10,785,501
Amortization of intangible assets	7	<b>47,601</b>	84,426
Impairment losses on goodwill	7	<b>2,300,000</b>	-
Depreciation of right-of-use assets	8	<b>1,305,857</b>	1,276,173
Impairment losses on property, plant and equipment	5	<b>3,043,366</b>	80,237,609
Provision for slow-moving and obsolete inventories	9	<b>1,959,794</b>	2,804,292
Charged / (Reversal) of allowance for expected credit losses	11	<b>1,622,586</b>	(2,637,338)
Gains on derecognition of lease contracts	23	<b>(150,880)</b>	-
Interest expenses	22	<b>1,840,617</b>	1,732,919
Gain on disposal of property, plant and equipment	23	<b>(21,985,694)</b>	(60,397)
Employees' end-of-service benefits	13	<b>1,352,506</b>	1,229,578
		<b>(35,055,056)</b>	(11,546,480)
<b>Working capital adjustments:</b>			
Trade receivables		<b>(5,669,807)</b>	7,084,001
Prepayments and other assets		<b>181,784</b>	(4,128,571)
Inventory		<b>13,584,911</b>	(999,014)
Trade Payables		<b>5,368,417</b>	2,663,330
Accrued expenses and other liabilities		<b>2,063,430</b>	(952,149)
Contract liabilities with customers		<b>190,549</b>	326,747
		<b>(19,335,772)</b>	(7,552,137)
Zakat paid	17	<b>(1,391,662)</b>	(2,877,221)
Employees' end-of-service benefits paid	13	<b>(1,707,047)</b>	(1,434,773)
<b>Net cash flows used in operating activities</b>		<b>(22,434,481)</b>	(11,864,131)
<b>Investing activities</b>			
Additions to property, plant and equipment	5	<b>(2,665,462)</b>	(3,505,936)
Additions to property, plant and equipment	7	<b>(101,000)</b>	(117,190)
Proceeds From Disposal of Property, Plant, And Equipment		<b>45,252,000</b>	60,400
Consideration paid for the acquisition of a subsidiary		-	(25,000,000)
Additions to capital work under construction	6	<b>(31,153,463)</b>	(430,100)
<b>Net cash flows generated from (used in) investing activities</b>		<b>11,332,075</b>	(28,992,826)

The accompanying notes from 1 to 30 form an integral part of these consolidated financial statements.

**SAUDI VITRIFIED CLAY PIPES COMPANY**  
SAUDI JOINT STOCK COMPANY  
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2025  
(ALL AMOUNTS ARE IN SAUDI RIYALS "ﷲ" UNLESS OTHERWISE NOTED)

	Notes	31 December 2025	31 December 2024
<b>Financing activities</b>			
Proceeds from short-term loans		<b>13,619,716</b>	5,000,000
Repayments of short-term loans		<b>(10,000,000)</b>	-
Proceeds from long-term loans	15	<b>20,000,000</b>	-
Repayments of long-term loans		-	(3,100,000)
Finance costs paid		<b>(1,159,673)</b>	-
Payments of lease liabilities	8	<b>(1,345,988)</b>	(1,504,138)
<b>Net cash flows generated from financing activities</b>		<b>21,114,055</b>	395,862
<b>Net change in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year	12	<b>4,218,244</b>	44,679,339
<b>Cash and cash equivalents at the end of the Year</b>	12	<b>14,229,893</b>	4,218,244
<b>Non-cash transactions</b>			
Additions and modifications to lease contracts	8	<b>434,557</b>	844,697
Additions and modifications to lease liabilities	8	<b>(434,557)</b>	(844,697)
Excluding the effect of capitalized borrowing costs on capital work-in-progress		<b>(655,380)</b>	-
Remeasurement losses (gains) on defined benefit plan obligations	13	<b>474,401</b>	(607,940)
Write-off of receivables	11	<b>(347,390)</b>	(384,497)
Write-off of inventory	9	<b>(580,294)</b>	-
Reinstatement of previously written-off inventory items	9	<b>5,441,070</b>	-

Chief Financial Officer  
Abdulkhaleq Abdullah Babiker Al-Hassan

Chief Executive Officer  
Saad Saud Al-Sayyari

## SAUDI VITRIFIED CLAY PIPES COMPANY

SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

(ALL AMOUNTS ARE IN SAUDI RIYALS "ﷲ" UNLESS OTHERWISE NOTED)

---

### 1- Background and Activities of the Parent Company and its Subsidiaries

#### A- Incorporation

Saudi Vitrified Clay Pipes Company (the "Parent Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010014993, issued in Riyadh on 8 Rabi' al-Awwal 1398H (corresponding to 16 February 1978). The Unified National Number of the entity is 7000066352.

#### B- Share Capital

The Company's share capital was set at ﷲ 150,000,000, divided into 15,000,000 nominal shares of equal value, with a par value of ﷲ 10 per share, all of which are ordinary cash shares.

On 7 August 2024, Saudi Vitrified Clay Pipes Company announced the Board of Directors' recommendation to increase the share capital by ﷲ 80 million through a rights issue. The Company is still in the process of finalizing the statutory procedures as of the date of these consolidated financial statements.

The Extraordinary General Assembly, held on 3 Jumada al-Ula 1446H (corresponding to 5 November 2024), resolved to approve the transfer of the statutory reserve balance amounting to ﷲ 75 million to offset the Company's accumulated losses.

#### C) Principal Activities of the Parent Company

The principal activities of the Parent Company are as follows:

- Manufacturing of clay and plastic pipes, including their accessories and attachments, in various diameters, and providing all supporting works for this purpose.
- Wholesale and retail trade in appliances, machinery, and sewage equipment.
- Diversion of public connections and specialized water and sewage works (water desalination, purification, and sanitation), along with electrical, mechanical, and HVAC (heating, ventilation, and air conditioning) contracting.
- Commercial agencies within the scope of the Company's objectives, following registration in the Commercial Agencies Register.
- Establishing and managing various industrial pipe projects and marketing their products and technologies.
- Expansion and development of water management projects and organization of sewage networks.
- Manufacturing of various types of pipes used for fluid transport.
- Manufacturing of all types of molds for concrete surfaces and their derivatives.
- Manufacturing of all types of ready-mix concrete.
- Manufacturing of water and sewage transport pipes and their accessories.
- Mining and quarrying activities.

#### D) Headquarters

The Parent Company's head office is located at the following address:

Riyadh - Second Industrial City - Road No. 182 P.O. Box 6415 - Postal Code 11442

Kingdom of Saudi Arabia

# SAUDI VITRIFIED CLAY PIPES COMPANY

SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

(ALL AMOUNTS ARE IN SAUDI RIYALS "ﷲ" UNLESS OTHERWISE NOTED)

## 1- Background and Activities of the Parent Company and its Subsidiaries (Continued)

### Subsidiaries

These consolidated financial statements as of 31 December 2025 include the financial statements of Saudi Vitrified Clay Pipes Company (the "Company" or the "Parent Company") and its subsidiaries (collectively referred to as the "Group") as follows:

Subsidiary Name	Country of incorporation	Commercial Registration Number	Commercial Registration Date	Percentage	
				31 December 2025	31 December 2024
Laffan Pipes Company*	Kingdom of Saudi Arabia	1009047290	3 June 2024	100%	100%
Saudi Land Factory for Cement Products Company**	Kingdom of Saudi Arabia	1011022606	9 April 2022	100%	100%

On 3 June 2024, the Company incorporated Laffan Pipes Company, a Limited Liability Company with a share capital of ﷲ 500,000, divided into 50,000 shares of equal value at ﷲ 10 per share, wholly owned by Saudi Vitrified Clay Pipes Company (the "Parent Company"). This subsidiary has not commenced any of its commercial activities as per its CR from the date of incorporation until 31 December 2025.

On 6 February 2024, a Sale and Purchase Agreement was signed for the acquisition of 100% of the shares in Saudi Land Factory for Cement Products Company for a total consideration of ﷲ 25,000,000, excluding any taxes or fees. On 20 March 2024, the Company announced that it had settled the purchase price of ﷲ 25,000,000, finalized the statutory procedures, and amended the subsidiary's Articles of Association.

The share capital of Saudi Land Factory for Cement Products Company is ﷲ 14,700,000, divided into 1,000 shares of equal value at ﷲ 14,700 per share, wholly owned by Saudi Vitrified Clay Pipes Company (the "Parent Company"). The subsidiary's principal activity is the manufacturing of cement products and their accessories.

On 14 February 2024, the Parent Company announced an MoU with Doha Concrete Products Factory Company for the latter to enter as a 45% partner in Saudi Land Factory for Cement Products Company (the "Subsidiary"), while the Parent Company retains a 55% stake. On 12 August 2024, the partnership agreement was signed with Doha Concrete Products Factory (Qatar), whereby the partner will settle its share in kind by transferring its production lines from Doha to Saudi Land Factory. As of the date of these consolidated financial statements, the legal procedures for this partnership have not been finalized.

On 14 February 2024, the Parent Company announced an MoU with Laffan Pipes Factory Company (Qatar) to establish an industrial company in Saudi Arabia with a capital of ﷲ 50,000,000. The activity involves the production and trade of High-Density Polyethylene pipes and manholes. The Parent Company will own 55% and the Qatari partner 45%. The Parent Company's contribution will be in cash, while the second party's contribution will be in kind (machinery and equipment). On 12 August 2024, Saudi Vitrified Clay Pipes Company announced the signing of a partnership agreement with Laffan Pipes Factory Company (Qatar). Laffan Pipes (Qatar) will settle its share contribution in kind by transferring its production lines from Doha - specializing in high-density polyethylene pipes and accessories - to the ownership of Laffan Pipes Company. As of the date of these consolidated financial statements, the statutory procedures relating to this partnership are still in progress and have not yet been finalized.

The primary objective of this investment is to diversify the Group's product portfolio and enhance its sales growth.

### G) Branch Commercial Registrations

The Parent Company holds the following branch commercial registration:

Branch name	CR No.	Date of issue	Place of issue	Activity
Saudi Vitrified Clay Pipes Company	1010609539	11 July 2017	Riyadh	Quarrying operations, manufacturing of pipes, and trade in pottery and handicrafts.

## **2- BASIS OF PREPARATION**

### **2-1 Statement of compliance**

These Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

### **Basis of measurement**

#### **(i) Historical cost convention**

These consolidated financial statements have been prepared on a historical cost basis, except for employees' end of service benefits which are recognized at the present value of future obligations using the projected unit credit method.

#### **(ii) Functional and presentation currency**

These consolidated financial statements are presented in Saudi Riyal, which is the Group's functional and presentation currency. All amounts have been rounded to the nearest Saudi Riyals, except when otherwise indicated.

The Group has prepared these consolidated financial statements on the basis that it will continue to operate as a going concern.

### **Going concern principle**

The Group incurred a net loss of SAR 32.5 million for the year ended 31 December 2025, with accumulated losses exceeding 50% of the share capital. Furthermore, the Group has breached certain loan covenants, which resulted in borrowings amounting to 12,379,182 SAR being classified as current liabilities in the consolidated statement of financial position as at the reporting date. These events and conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

The Board of Directors has reviewed and approved the cash flow forecasts for the next twelve months and has initiated several measures to improve the Group's liquidity position, including, but not limited to, the following:

1. Increase of share capital through a rights issue.
2. Diversification across industries to enhance the Group's sales, including expansion into plastic and cement pipe manufacturing. The completion of the Lafan plant for high-density polyethylene (HDPE) pipes is expected during the second quarter of 2026.
3. Initiating discussions with lenders of the subsidiary to restructure and/or reschedule borrowings.
4. Obtaining additional long-term loan facilities.

The Group's ability to continue its operations is dependent on the successful completion of the rights issue, which management is confident will be achieved in 2026. Based on the Group's financial forecasts and the actions taken as outlined above, management has performed an assessment of the Group's ability to continue as a going concern and is satisfied that the Group will continue in operational existence for the foreseeable future. Accordingly, these consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the carrying amounts and classification of assets, liabilities, and expenses that may be necessary should the going concern assumption not be appropriate.

## **2- Basis Of Preparation For The Consolidated Financial Statements (Continued)**

### **2-2 Basis of consolidation**

The consolidated financial statements comprise the consolidated financial statements of the Parent Company and its subsidiaries as at 31 December 2025. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

### **2-3 Summary of Significant Accounting Policies**

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

#### **A) Business Combinations and Goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition-date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included within administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs. An acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process; or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

### **3-2 Summary of Significant Accounting Policies (Continued)**

#### **A) Business Combinations and Goodwill (Continued)**

Contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured, and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability that is a financial instrument and within the scope of IFRS 9 "Financial Instruments" is measured at fair value, with changes in fair value recognized in profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date, with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

#### **Revenue From Contracts With Customers**

The Group recognizes revenue primarily from the sale of vitrified clay, plastic, and cement pipes to customers. Revenue from contracts with customers is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements, since it typically controls the goods before transferring them to the customer as the primary obligor in all arrangements, has the pricing latitude and is also exposed to inventory and credit risk.

Revenue from these sales is recognized based on the price specified in the contract. The Group doesn't offer volume discounts, rebates or any such discounts to its customers. Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, when (or as) the Group satisfies the performance obligations as specified in the contract with the customer (buyer), when the Group has transferred to the customer control over the promised goods.

Invoices are usually payable within the credit period agreed with the customer which may vary from one customer to another. The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

A receivable is recognized by the Group upon transfer of control as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

It is the Group's policy to sell its products to its customers with a right of return with certain requirements. However, the management concluded that the expected returns based on pattern of historical returns is deemed immaterial, accordingly the management has not accounted for it.

### **3-2 Summary of Significant Accounting Policies (Continued)**

#### **Trade receivables**

A receivable is recognized if an amount of consideration from the customer is unconditional (i.e., only the passage of time is required before payment of that consideration is due). Please refer to the accounting policies for financial instruments in Section (D) Financial Instruments – Initial Recognition and Subsequent Measurement.

#### **Contract Liabilities**

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

#### **Government Grants**

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods in which the related expenses, which it is intended to compensate, are incurred. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, consistent with the depreciation pattern of the asset in equal annual installments.

#### **Zakat and taxes**

The Group (entities registered in Kingdom of Saudi Arabia only) is subject to the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. Zakat is provided for in accordance with the Regulations of the Zakat, Tax and Customs Authority (ZATCA) in the Kingdom of Saudi Arabia and on accruals basis. The zakat charge is computed on the zakat base of the individual companies in the Group and is charged to consolidated statement of comprehensive income. Any shortfall / excess on finalization of an assessment is accounted for in the period in which such assessment is finalized.

#### **Value Added Tax (VAT)**

Revenues, expenses, and assets are recognized net of the amount of Value Added Tax ("VAT") except:

- Where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to the ZATCA is included as part of receivables or payables in the consolidated statement of financial position.

#### **Withholding tax**

The Group withholds taxes on transactions with non-resident parties in accordance with ZATCA regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

#### **Cash dividends to shareholders of the Group**

The Company recognizes a liability to pay dividends when the distribution is authorized and is no longer at the discretion of the Company. In accordance with the Companies Law in the Kingdom of Saudi Arabia, a distribution is considered authorized when approved by the shareholders. The corresponding amount is recognized directly in equity.

#### **Operating segments**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The executive management (Chairman of the Board of Directors and top management (Chief Financial Officer (CFO)) is the Chief Operating Decision Maker ("CODM") and monitor the operation results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

### **3-2 Summary of Significant Accounting Policies (Continued)**

#### **Operating segments (Continued)**

An operating segment is group of assets and operations:

- engaged in revenue producing activities;
- results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- financial information is separately available.

Management has assessed the Group's operating activities in accordance with IFRS 8 "Operating Segments" and identified three primary operating segments: Vitrified Clay Pipes, Cement Pipes, and Plastic Pipes. This classification is based on the economic and operational differences between the segments, with the ability to track performance and resource allocation for each segment separately, reflecting the specific nature of each product type and its respective revenue.

For further qualitative and quantitative details regarding the Group's revenue streams and products, please refer to note 19 of these consolidated financial statements.

#### **Contingent Liabilities**

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

#### **EARNINGS PER SHARE**

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Group (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

#### **PROPERTY PLANT AND EQUIPMENT**

##### **(a) Recognition and measurement**

Property, plant and equipment is stated at cost net of accumulated depreciation and accumulated impairment losses, if any.

Such cost includes purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of self-constructed assets "capital work in progress" includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use and borrowing costs on qualifying assets.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within other income in the consolidated statement of profit or loss.

##### **(b) Subsequent costs**

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

### **3-2 Summary of Significant Accounting Policies (Continued)**

#### **Property, Plant And Equipment (Continued)**

##### **Depreciation**

Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land and capital work in progress are not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

<b>Description</b>	<b>Useful life</b>
Buildings on leased land	16- 30 years or lease term, whichever is shorter.
Machinery and equipment	4 to 40 years
Vehicles	4-5 years
Furniture and fixtures	6 years
Heavy equipment	10 years
Computers and printers	5 years
Leasehold improvements	5 years or lease term, whichever is shorter.
Spare parts	5 years

\*Buildings and leasehold improvements are depreciated over the shorter of their estimated useful lives or the related lease term.

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively, if required.

##### **Derecognition**

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in consolidated statement of comprehensive income.

##### **Capital work in progress**

Assets in the course of construction are capitalised in the capital work-in-progress account. The asset under construction is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management.

The cost of an item of capital work-in-progress comprises its purchase price, construction / development cost and any other directly attributable to the construction or acquisition of an item intended by management.

Borrowing costs related to qualifying assets are capitalised as part of the cost of the qualified assets until the commencement of commercial production. Capital work-in-progress is measured at cost less any recognized impairment.

##### **Capital Spare Parts**

Capital spare parts are other major spare parts which bought in advance due to planned replacement schedules (in line with prescribed maintenance program) to replace existing major spare parts. Such items are considered to be "available for use" only at a future date, and hence depreciation commences when it is installed as a replacement part. The depreciation period for such general spare parts is over the lower of its useful life, and the remaining expected useful life of the equipment to which it is associated.

### **3-2 Summary of Significant Accounting Policies (Continued)**

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction, or production of an asset that necessarily takes a period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed during the year in which they are incurred. Borrowing costs consist of finance costs and other costs that an entity incurs in connection with the borrowing of funds.

#### **LEASES**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### **Group as a lessee**

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### **Right-of-use assets**

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Lands	10 to 20 years
Buildings	2 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Please refer to the accounting policies in Section (P) Impairment of Non-Financial Assets. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

#### **Lease Liabilities**

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments), or a change in the assessment of an option to purchase the underlying asset. The unwinding component of finance cost is included in the consolidated statement of profit or loss.

Lease liabilities are presented as a separate line item in the consolidated statement of financial position.

### **3-2 Summary of Significant Accounting Policies (Continued)**

#### **Lease Liabilities (Continued)**

##### **Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

##### **Intangible Assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of comprehensive income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets under development consists of costs incurred in relation to development of software which will be eventually transferred to intangible assets. Intangible assets with indefinite useful lives (goodwill) are not amortized, but are tested for impairment annually, or earlier if there is an indication of impairment either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss when the asset is derecognized.

Intangible assets represent computer software which has finite useful life. The estimated rates of amortization of intangible assets are as follows:

<b>Description</b>	<b>Useful life</b>
Computer software	5 years

### **3-2 Summary of Significant Accounting Policies (Continued)**

#### **Current versus non current classification**

##### **Assets**

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- It is held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting year; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting year.

All other assets are classified as non-current.

##### **Liabilities**

A liability is current when:

- 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 year; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting year.

The Group classifies all other liabilities as non-current.

#### **Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### **(i) Financial assets**

###### **(a) Measurement**

###### **Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables, the Group initially measures a financial asset at its fair value and in the case of a financial asset not carried at fair value through profit or loss, fair value plus transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price and for other trade receivables, that contain a significant financing component, the Group adjusts the transaction price in respect to the significant financing component.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

### **3-2 Summary of Significant Accounting Policies (Continued)**

#### **Subsequent Measurement**

For purposes of subsequent measurement, financial assets are classified in following categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

#### **Financial assets at amortized cost (debt instruments)**

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in consolidated statement of profit or loss when the asset is derecognized, modified, or impaired.

The Group's financial assets at amortized cost include cash and short-term deposits, term deposits, trade receivables, employee loans, and profit margin on a letter of guarantee.

The Group's write-off policy for financial assets is when management has indications that there is no reasonable expectation of recovery.

Currently, the Group does not have any financial assets designated at fair value through OCI or through profit or loss.

#### **De-recognition**

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### **Impairment**

The Group applies the expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets that are debt instruments, and are measured at amortized cost (e.g. deposits, trade and other receivables and bank balances). The Group follows 'simplified approach' for recognition of impairment loss allowance on trade receivables, if they do not contain a significant financing component.

The application of a simplified approach does not require the Group to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECL at each reporting date, right from its initial recognition. Lifetime ECL is the expected credit loss resulting from all possible default events over the expected life of a financial instrument.

The Group uses a provision matrix in the calculation of the ECL on trade receivables to estimate the lifetime expected credit losses, applying certain provision rates to respective contractual past due ageing buckets. The provision matrix was developed considering probability of default and loss given default which were derived from historical data of the Group and are adjusted to reflect the expected future outcome.

ECL impairment loss allowance or reversal recognized during the year is recognized as income/ expense in profit or loss.

### **3-2 Summary of Significant Accounting Policies (Continued)**

#### **(ii) Financial liabilities**

##### **Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value. In the case of loans, borrowings and payables, they are presented net of directly attributable transaction costs. The Group's financial liabilities comprise trade payables and lease liabilities.

##### **Subsequent Measurement**

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings)

##### **Financial liabilities at amortized cost (loans and borrowings)**

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortisation process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

The Group has not designated any financial liability as at fair value through profit or loss.

##### **Derecognition**

Financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss.

#### **(iii) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

#### **Employees' Defined Benefit Obligations**

The Group operates a single post-employment benefit scheme of defined benefit plan, driven by the Labor Laws and Workman Laws of the Kingdom of Saudi Arabia, which is based on most recent salary and number of service years. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the Labor Law of Saudi Arabia.

The Group's obligation under employee end of service benefit plan is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurements of the defined benefit liability, which comprise actuarial gains and losses are recognized immediately in consolidated statement of other comprehensive income. The Group determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

### **3-2 Summary of Significant Accounting Policies (Continued)**

#### **Inventory**

Inventory is measured at the lower of cost or net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: Purchase cost on a weighted average basis.
- Finished goods and work-in-progress: Cost of materials, direct labor, and a proportion of manufacturing overheads based on normal operating capacity, excluding borrowing costs.
- Spare parts: Purchase cost on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventory is written off when it can no longer provide economic benefits to the Company. This may be due to damage, theft, loss, or any other reason for the inability to provide economic benefits. The carrying amount of the written-off inventory is charged to the cost of sales.

Spare parts other than capital spare parts which doesn't meet the criteria of property, plant and equipment are included as consumable spare parts in inventory and are classified as current assets.

#### **Capital Spare Parts**

Items such as spare parts, stand-by equipment, and servicing equipment are recognized in accordance with IAS 16 "Property, Plant and Equipment" when they meet the definition of PPE as follows:

- Stand-by equipment are parts intended for use as original equipment, likely to be a major component/significant part held on hand to ensure continuity of production equipment operations. These are typically used only during breakdowns and are not generally expected to be used routinely. Depreciation of significant spare parts commences from the date of purchase of the related original equipment and is depreciated over the corresponding life in the operating unit.
- Strategic spare parts that must be available if needed and are purchased in advance due to scheduled replacement plans (in line with the scheduled maintenance program) to replace existing major parts with new, operable ones. These items are "available for use" only at a future date; therefore, depreciation commences when they are installed as a replacement part. The depreciation period for such general capital parts is over their useful life or the expected remaining useful life of the related equipment, whichever is shorter.

Periodic maintenance costs for an item are not recorded within the carrying amount of PPE if the spare parts do not meet the recognition criteria for PPE; instead, they are included in inventory or recorded in the statement of profit or loss upon use.

#### **Impairment of non-financial assets**

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash-Generating Unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

When assessing value in use, the estimated future cash flows are discounted to their present value using a pre-Zakat discount rate that reflects current market assessments of the time value of money and any specific risks related to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies, or other available fair value indicators.

### **3-2 Summary of Significant Accounting Policies (Continued)**

#### **Impairment of non-financial assets (Continued)**

The Group calculates impairment based on the most recent budgets and forecasts, which are prepared separately for each cash-generating unit (CGU) in the Group to which the asset belongs. These budgets and forecasts typically cover a five-year period. A long-term growth rate is calculated and applied to projected future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the consolidated statement of profit or loss within expense categories consistent with the function of the impaired asset.

For assets other than goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such an indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. Goodwill is tested for impairment annually as of 31 December and when circumstances indicate that the carrying amount may be impaired.

Impairment of goodwill is determined by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

The Group assesses whether climate risks, including physical and transition risks, may have a material impact. If so, these risks are included in cash flow projections when assessing value-in-use amounts.

#### **Cash And Cash Equivalents**

Cash and cash equivalents comprise cash on hand and balances with banks that mature within three months or less from the date of deposit, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and balances with banks as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

#### **Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-Zakat rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

#### **Contingent Liabilities**

All contingent liabilities arising from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or all present liabilities arising from past events but not recognized because:

- It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- The amount of the obligation cannot be measured with sufficient reliability; must all be assessed at each statement of financial position date and disclosed in the financial statements as contingent liabilities.

### **3-2 Summary of Significant Accounting Policies (Continued)**

#### **Related Parties**

A related party is a person or entity related to the Group. A person is related if they have control, joint control, or significant influence over the Group or are a member of the key management personnel. An entity is related if it is a member of the same group (parent, subsidiary, or associate), a joint venture, or if both entities are joint ventures of the same third party.

A related party transaction is a transfer of resources, services, or liabilities between the Group and a related party, regardless of whether a price is charged. Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any director.

#### **Foreign currency transactions**

The Group's consolidated financial statements are presented in Saudi Riyals, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

#### **Transactions and balances**

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange ruling at the reporting date.

All differences arising on settlement or translation of monetary items are recognized in the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency, if any, are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of a gain or loss on change in fair value of the item.

#### **Events After the Reporting Date**

If the Group obtains information after the reporting date, but before the financial statements are authorized for issue, about conditions that existed at the end of the reporting period, it will assess whether such information affects the amounts recognized in its consolidated financial statements. The Group adjusts the amounts recognized in its financial statements to reflect any adjusting events after the reporting period and updates the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognized in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

### **3- Significant Accounting Judgements, Estimates And Assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and accompanying disclosures and disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Other disclosure relating to the Group's exposure to risks and uncertainties includes:

- Capital management (note 26).
- Financial risk management (note 26).
- Sensitivity analyses disclosures (note 13).

### **3-2 Summary of Significant Accounting Policies (Continued)**

#### **Significant Accounting Judgements, Estimates And Assumptions (Continued)**

##### **Judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

##### **Determining the lease term of contracts with renewal and termination options – Group as lessee**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group included the renewal period as part of the lease term for leases with shorter non-cancellable periods. The Group typically exercises its option to renew for these leases.

##### **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a material risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. Information about the assumptions and estimation uncertainties is included in the following areas:

##### **Impairment of non-financial assets**

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. To determine a recoverable amount, the management uses fair value using market approach and value in use approach.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Group.

### **3-2 Summary of Significant Accounting Policies (Continued)**

#### **Provision for expected credit losses of trade receivables**

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group trade receivables is disclosed in note 11.

#### **Employees' defined benefit obligations**

The cost of the employee defined benefit plan, and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employees' turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

The calculation most sensitive parameter to change is discount rate and future salary increases. In determining the appropriate discount rate, the management considers the market yield on high quality government bonds. Future salary increases are based on expected future inflation rates, seniority, promotion, demand and supply in the employment market.

The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes.

Further details about employee benefits obligations are provided in note 13.

#### **Leases - Estimating the incremental borrowing rate**

The Group cannot readily determine the interest rate implicit in the lease; therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's standalone credit rating).

#### **Allowance for slow moving and obsolete inventories**

The Group recognizes an allowance for inventory losses due to factors such as obsolescence, physical damage based upon historical experience, current condition, and current and future expectations with respect to sales or use. The estimate of the Group's allowance for slow moving and obsolete inventory could change from period to period, which could be due to differing remaining useful life, change in technology, possible change in usage, their expiry, sales expectation and other qualitative factors of the portfolio of inventory from year to year.

### **3-2 Summary of Significant Accounting Policies (Continued)**

#### **Provision for Obsolete and Slow-Moving Spare Parts**

The Company maintains an inventory of spare parts for machinery, property, and equipment, which may be held for longer than one financial reporting period, potentially leading to their eventual disposal or sale at less than cost due to the obsolescence or scrapping of the machinery. An appropriate level is estimated by the technical management through internal reports to form a provision for spare parts at the end of each financial reporting period. Factors influencing this estimate include the Company's expectations regarding potential future non-use or plans for the disposal of spare parts.

#### **Useful lives and residual value of property, plant and equipment and intangibles assets**

The Group's management determines the estimated useful lives and residual value of its property, plant and equipment and intangibles assets for calculating depreciation and amortization. These estimates are determined after considering the expected usage of the assets and their physical wear and tear and technical obsolescence. The management reviews the residual value and useful lives annually and future depreciation/amortization charges are adjusted where management believes the useful lives differ from previous estimates.

### **4- New Standards And Amendments - Applicable For The Annual Period Beginning 1 January 2025**

#### **Lack of Exchangeability – Amendments to IAS 21, 'The Effects of Changes in Foreign Exchange Rates'**

In August 2023, the IASB amended IAS 21 to add requirements to help entities to determine whether a currency is exchangeable into another currency, and the spot exchange rate to use where it is not. Prior to these amendments, IAS 21 set out the exchange rate to use when exchangeability is temporarily lacking, but not what to do when lack of exchangeability is not temporary. These new requirements apply for annual reporting periods beginning on or after 1 January 2025. Early application is permitted (subject to any endorsement process).

The Group determined that the amendments did not have a material impact on the group's consolidated financial statements.

#### **Standards issued but not yet effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

#### **Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7**

The International Accounting Standards Board (IASB) issued amendments to IFRS 9 and IFRS 7 relating to the classification and measurement of financial instruments. The amendments clarify certain requirements, including the assessment of contractual cash flow characteristics and derecognition of financial liabilities settled through electronic payment systems, and introduce additional disclosure requirements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.

The Group is currently assessing the impact of these amendments and does not expect them to have a material impact on its consolidated financial statements.

#### **Annual Improvements to IFRS Accounting Standards – Volume 11**

The International Accounting Standards Board (IASB) issued Annual Improvements to IFRS Accounting Standards – Volume 11, which includes minor amendments to certain IFRS Accounting Standards to clarify wording and correct minor inconsistencies.

The amendments are effective for annual reporting periods beginning on or after 1 January 2026. The Group is currently assessing the impact of these amendments and does not expect them to have a material effect on its consolidated financial statements.

#### **4- New Standards And Amendments - Applicable For The Annual Period Beginning 1 January 2025 (Continued)**

##### **IFRS 18 Presentation and Disclosure in Financial Statements**

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes, and discontinued operations, noting that the first three are new categories.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Group is currently working to identify all impacts the amendments will have on the primary consolidated financial statements and notes to the consolidated financial statements.

##### **IFRS 19 Subsidiaries without Public Accountability: Disclosures**

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted. As the Group's equity instruments are publicly traded, it is not eligible to elect to apply for IFRS 19.

**SAUDI VITRIFIED CLAY PIPES COMPANY**

SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

(ALL AMOUNTS ARE IN SAUDI RIYALS "ﷲ" UNLESS OTHERWISE NOTED)

**5- Property, Plant and Equipment**

	<b>Buildings on leased land</b>	<b>Machinery and equipment</b>	<b>Vehicles</b>	<b>Furniture and fixtures</b>	<b>Heavy equipment</b>	<b>Computers and printers</b>	<b>Leasehold improvements</b>	<b>Spare parts</b>	<b>Total</b>
<b>31 December 2025</b>									
<b>Cost</b>									
As of 1 January 2025	110,569,737	432,012,034	3,355,593	3,206,382	6,015,025	386,873	2,377,062	8,114,765	<b>566,037,471</b>
Additions	-	2,308,310	295,200	15,308	-	46,644	-	-	<b>2,665,462</b>
Disposal**	(54,229,633)	(262,023,635)	-	-	(688,167)	-	-	(1,984,778)	<b>(318,926,213)</b>
<b>As at 31 December 2025</b>	<b>56,340,104</b>	<b>172,296,709</b>	<b>3,650,793</b>	<b>3,221,690</b>	<b>5,326,858</b>	<b>433,517</b>	<b>2,377,062</b>	<b>6,129,987</b>	<b>249,776,720</b>
<b>Accumulated depreciation</b>									
As of 1 January 2025	63,554,943	295,175,650	2,724,914	3,100,029	4,026,554	203,439	1,360,245	6,153,236	<b>376,299,010</b>
Charge for the year	821,707	3,336,653	76,414	13,149	165,135	30,545	34,147	102,857	<b>4,580,607</b>
Disposal**	(28,218,356)	(152,533,849)	-	-	(675,135)	-	-	(1,984,778)	<b>(183,412,118)</b>
<b>As at 31 December 2025</b>	<b>36,158,294</b>	<b>145,978,454</b>	<b>2,801,328</b>	<b>3,113,178</b>	<b>3,516,554</b>	<b>233,984</b>	<b>1,394,392</b>	<b>4,271,315</b>	<b>197,467,499</b>
<b>Accumulated impairment</b>									
As of 1 January 2025	26,726,560	97,374,217	445,670	58,208	305,961	108,759	-	1,631,995	<b>126,651,370</b>
Charge for the year	1,109,218	1,566,600	61,483	10,030	35,776	33,584	-	226,675	<b>3,043,365</b>
Disposal**	(21,475,355)	(90,759,413)	-	-	(13,021)	-	-	-	<b>(112,247,789)</b>
<b>As at 31 December 2025</b>	<b>6,360,423</b>	<b>8,181,404</b>	<b>507,153</b>	<b>68,238</b>	<b>328,716</b>	<b>142,343</b>	<b>-</b>	<b>1,858,670</b>	<b>17,446,947</b>
<b>Net Book Value</b>									
<b>As at 31 December 2025</b>	<b>13,821,387</b>	<b>18,136,851</b>	<b>342,312</b>	<b>40,274</b>	<b>1,481,588</b>	<b>57,190</b>	<b>982,670</b>	<b>2</b>	<b>34,862,274</b>
As at 31 December 2024	20,288,234	39,462,167	185,009	48,145	1,682,510	74,675	1,016,817	329,534	63,087,091

Property, plant and equipment include assets with a net book value of ﷲ 34,851,348 belonging to the subsidiary 'Saudi Land Factory Company'. These assets have been pledged as collateral against a loan from the Saudi Industrial Development Fund (Note 15).

**SAUDI VITRIFIED CLAY PIPES COMPANY**

SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

(ALL AMOUNTS ARE IN SAUDI RIYALS "R" UNLESS OTHERWISE NOTED)

**5- Property, plant and equipment(Continued)**

<b>31 December 2024</b>	<b>Buildings on leased land</b>	<b>Machinery and equipment</b>	<b>Vehicles</b>	<b>Furniture and fixtures</b>	<b>Heavy equipment</b>	<b>Computers and printers</b>	<b>Leasehold improvements</b>	<b>Spare parts</b>	<b>Total</b>
<b>Cost</b>									
As of 1 January 2024	100,122,350	410,794,948	3,522,413	3,153,322	4,533,415	254,080	1,351,640	9,612,050	533,344,218
Additions from acquisition of subsidiaries	14,985,337	17,399,252	111,000	37,928	1,817,711	13,960	-	-	34,365,188
Transferred to spare parts	-	1,497,285	-	-	-	-	-	(1,497,285)	-
Additions	-	2,320,549	26,000	15,132	-	118,833	1,025,422	-	3,505,936
Disposals**	(4,537,950)	-	(303,820)	-	(336,101)	-	-	-	(5,177,871)
<b>As at 31 December 2024</b>	<b>110,569,737</b>	<b>432,012,034</b>	<b>3,355,593</b>	<b>3,206,382</b>	<b>6,015,025</b>	<b>386,873</b>	<b>2,377,062</b>	<b>8,114,765</b>	<b>566,037,471</b>
<b>Accumulated depreciation</b>									
As of 1 January 2024	66,041,908	285,107,454	2,890,322	3,079,226	4,074,641	149,167	1,351,638	7,300,609	369,994,965
Additions from acquisition of subsidiaries	165,931	451,573	9,787	3,088	50,391	15,641	-	-	696,411
Charge for the year	1,885,054	8,119,338	128,621	17,715	237,623	38,631	8,607	349,912	10,785,501
Transferred to spare parts	-	1,497,285	-	-	-	-	-	(1,497,285)	-
Disposals**	(4,537,950)	-	(303,816)	-	(336,101)	-	-	-	(5,177,867)
<b>As at 31 December 2024</b>	<b>63,554,943</b>	<b>295,175,650</b>	<b>2,724,914</b>	<b>3,100,029</b>	<b>4,026,554</b>	<b>203,439</b>	<b>1,360,245</b>	<b>6,153,236</b>	<b>376,299,010</b>
<b>Accumulated impairment</b>									
As of 1 January 2024	9,683,573	35,712,647	179,595	21,024	130,349	29,803	-	656,770	46,413,761
Charge for the year	17,042,987	61,661,570	266,075	37,184	175,612	78,956	-	975,225	80,237,609
<b>As at 31 December 2024</b>	<b>26,726,560</b>	<b>97,374,217</b>	<b>445,670</b>	<b>58,208</b>	<b>305,961</b>	<b>108,759</b>	<b>-</b>	<b>1,631,995</b>	<b>126,651,370</b>
<b>Net Book Value</b>									
<b>As at 31 December 2024</b>	<b>20,288,234</b>	<b>39,462,167</b>	<b>185,009</b>	<b>48,145</b>	<b>1,682,510</b>	<b>74,675</b>	<b>1,016,817</b>	<b>329,534</b>	<b>63,087,091</b>

## SAUDI VITRIFIED CLAY PIPES COMPANY

SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

(ALL AMOUNTS ARE IN SAUDI RIYALS "ﷲ" UNLESS OTHERWISE NOTED)

### 5- Property, Plant and Equipment (Continued)

- Buildings with a cost of ﷲ 56,340,104 as of 31 December 2025 (31 December 2024: ﷲ 110,569,737) are constructed on land leased from the Saudi Authority for Industrial Cities and Technology Zones (MODON) under operating lease agreements for renewable terms.
- The cost of fully depreciated property, plant and equipment still in use amounted to ﷲ 209,657,574 as of 31 December 2025 (31 December 2024: ﷲ 185,002,683).
- Spare parts with a cost of ﷲ 8,114,765 as of 31 December 2025 (31 December 2024: ﷲ 8,114,765) represent strategic spare parts for machinery and equipment.
- All leasehold improvements with a cost of ﷲ 2,377,062 as of 31 December 2025 (31 December 2024: ﷲ 2,377,062) were made on buildings leased under operating lease agreements for renewable terms.
- Depreciation of property, plant and equipment was charged to the cost of sales for the years ended 31 December 2025 and 2024.

#### Disposals of Property, Plant and Equipment

\*\*The disposals balance includes the sale of Factory 2 assets. During the third quarter of 2025, Saudi Vitrified Clay Pipes Company entered into an agreement to sell the assets of Factory 2, located in the Second Industrial City in Riyadh, and to assign the lease contract for the land on which the factory is built, for a total value of ﷲ 45,000,000 (excluding any taxes or fees). It was agreed to settle the transaction value in two installments: the first installment of ﷲ 9,000,000 was received upon signing the agreement, while the second installment of ﷲ 36,000,000, plus Value Added Tax of ﷲ 6,750,000, was received after obtaining approval from MODON to assign the lease contract to the buyer and completing the relevant regulatory procedures. The land, along with the assets built thereon, was handed over to the buyer during the third quarter. The net book value of the assets sold amounted to ﷲ 23,219,826, resulting in a gain of ﷲ 21,780,174, which was recognized under Other Income (Note 23).

### 6- Capital Work-in-Progress

Capital work in progress primarily represents costs incurred in the construction of the "Lafan Pipes Factory", a facility specialized in the production of plastic pipes, for which construction activities commenced at the end of 2024. The project is progressing in accordance with the planned schedule and is expected to be completed during the second quarter of 2026. Upon completion and commencement of commercial operations, the related costs will be transferred to property, plant and equipment. The balance also includes an amount of ﷲ 13,618,211 relating to the construction of new concrete foundations for machinery and equipment at Saudi Ard Factory Company.

	<u>31 December 2025</u>	<u>31 December 2024</u>
<b>Cost</b>		
As of the beginning of the year	430,100	-
Additions	31,808,843	430,100
<b>As at the end of the year</b>	<u>32,238,943</u>	<u>430,100</u>

#### Capitalized borrowing costs

The facilities were financed by a loan from the Saudi Investment Bank. Borrowing costs capitalized during the year ended 31 December 2025 amounted to ﷲ 1,463,750 (2024: ﷲ Nil).

**SAUDI VITRIFIED CLAY PIPES COMPANY**  
SAUDI JOINT STOCK COMPANY  
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2025  
(ALL AMOUNTS ARE IN SAUDI RIYALS "ﷲ" UNLESS OTHERWISE NOTED)

**7- Intangible Assets and Goodwill**

	<u>31 December 2025</u>	<u>31 December 2024</u>
Computer Software – Note (A)	243,806	190,407
Goodwill on Acquisition of Saudi Land Factory for Cement Products – Note (B)	5,127,433	7,427,433
	<u>5,371,239</u>	<u>7,617,840</u>

**a) Movement of Computer Software is as follows:**

	<u>31 December 2025</u>	<u>31 December 2024</u>
<b>Cost</b>		
As of the beginning of the year	1,985,891	1,868,701
Additions	101,000	117,190
<b>As at the end of the year</b>	<u>2,086,891</u>	<u>1,985,891</u>
<b>Accumulated amortization</b>		
As of the beginning of the year	1,795,484	1,711,058
Charge for the year	47,601	84,426
<b>As at the end of the year</b>	<u>1,843,085</u>	<u>1,795,484</u>
<b>Net Book Value</b>	<u>243,806</u>	<u>190,407</u>

**b) Goodwill on Acquisition of Saudi Land Factory for Cement Products**

	<u>31 December 2025</u>	<u>31 December 2024</u>
Goodwill on Acquisition	7,427,433	7,427,433
Impairment losses on goodwill	(2,300,000)	-
	<u>5,127,433</u>	<u>7,427,433</u>

On 6 February 2024, Saudi Vitrified Clay Pipes Company (the 'Parent Company') signed an agreement with the former partners of Saudi Land Factory for Cement Products (the 'Subsidiary') to acquire 100% of their ownership interest, for a total cash consideration of ﷲ 25 million. Goodwill on acquisition of Saudi Land Factory for Cement Products amounted to ﷲ 7,427,433.

The Group performed its annual impairment test as at 31 December 2025. The recoverable amount of the cash-generating unit (CGU) relating to cement products activities was determined as at that date based on value in use, using projected cash flows derived from management-approved budgets covering a five-year period. A pre-tax discount rate of 11% (2024: 11%) and a long-term growth rate of 1.5% (2024: 1.5%) were applied in the valuation model. Based on the results of the impairment test, an impairment loss of ﷲ 2.3 million was recognized for the year ended 31 December 2025 and recorded in profit or loss.

**Key Assumptions Used in Value-in-Use Calculations and Sensitivity to Changes**

The calculation of value in use for each cash-generating unit is most sensitive to the following assumptions:

- Grossprofitmargins,
- Disconrates,
- Growth rates used to extrapolate cash flows beyond the forecast period.

## 7- Intangible Assets and Goodwill (Continued)

### Gross profit margins

Gross profit margins are based on average values achieved in the years preceding the beginning of the budget period. The profit margins for the cement products Cash-Generating Unit (CGU) were 12.5%. These margins have been increased incrementally over the budget period as a result of anticipated improvements in operational efficiency, with an annual increase of 1.5% applied to the cement products CGU. A decline in demand within the cement and construction materials market leads to a decrease in gross profit margins; any reduction in these margins will result in a further decrease in the recoverable amount of the cement products CGU. A 0.5% decrease in the profit margin would result in a ﷲ 1.2 million reduction in the CGU's value.

### Discount Rates

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from the Weighted Average Cost of Capital (WACC), which takes into account both debt and equity. The cost of equity is derived from the expected return on investment by investors, while the cost of debt is calculated based on interest-bearing borrowings payable. Segment-specific risk is incorporated by applying individual beta factors, which are evaluated annually based on publicly available market data. The discount rate is adjusted by considering the amount and timing of future tax flows to reflect a pre-zakat discount rate. A 1% increase in the (pre-zakat) discount rate from the current level of 11% would lead to an additional impairment of ﷲ 4.1 million.

### Growth Rate Estimates

Growth rates are based on current forecasts and contracts within the cement pipe industry. Management recognizes that demand volatility in the infrastructure projects sector related to sewage systems, and the potential entry of new competitors, may impact growth assumptions. While the entry of new competitors is not expected to have a significant adverse effect on projections, it may represent a potential alternative to the estimated long-term growth rate of 1.5% for the cement pipes CGU. Any decrease in the long-term growth rate for the cement pipes CGU will lead to a further reduction in the recoverable amount. If the long-term growth rate decreases by 0.5%, it would result in a ﷲ 1.2 million decrease in the recoverable amount of the cement pipes CGU.

## 8- Right-Of-Use Assets And Lease Liabilities

	2025		
	Lands	Buildings	Total
<b>Cost</b>			
Balance at the beginning of the year	12,003,886	2,644,025	14,647,911
Lease modifications	15,258	-	15,258
Additions	-	419,299	419,299
Disposals**	(1,964,119)	(1,231,784)	(3,195,903)
<b>Balance as of the end of the year</b>	<b>10,055,025</b>	<b>1,831,540</b>	<b>11,886,565</b>
<b>Accumulated depreciation</b>			
Balance at the beginning of the year	2,833,076	1,664,705	4,497,781
Charge for the year	909,725	396,132	1,305,857
Disposals**	(839,252)	(1,231,784)	(2,071,036)
<b>Balance as of the end of the year</b>	<b>2,903,549</b>	<b>829,053</b>	<b>3,732,602</b>
<b>Net Book Value</b>	<b>7,151,476</b>	<b>1,002,487</b>	<b>8,153,963</b>

**SAUDI VITRIFIED CLAY PIPES COMPANY**  
SAUDI JOINT STOCK COMPANY  
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2025  
(ALL AMOUNTS ARE IN SAUDI RIYALS "ﷲ" UNLESS OTHERWISE NOTED)

**8- Right-of-use assets and lease liabilities (Continued)**

	<b>2024</b>		
	<b>Lands</b>	<b>Buildings</b>	<b>Total</b>
<b>Cost</b>			
Balance at the beginning of the year	6,798,902	2,488,556	9,287,458
Additions from acquisition of subsidiaries	4,515,756	-	4,515,756
Additions	689,228	155,469	844,697
<b>Balance as of the end of the year</b>	<b>12,003,886</b>	<b>2,644,025</b>	<b>14,647,911</b>
<b>Accumulated depreciation</b>			
Balance at the beginning of the year	1,166,502	1,337,370	2,503,872
Additions from acquisition of subsidiaries	717,736	-	717,736
Charge for the year	948,838	327,335	1,276,173
<b>Balance as of the end of the year</b>	<b>2,833,076</b>	<b>1,664,705</b>	<b>4,497,781</b>
<b>Net Book Value</b>	<b>9,170,810</b>	<b>979,320</b>	<b>10,150,130</b>

The depreciation of right-of-use assets for the years ended 31 December has been allocated as follows:

	<b>31 December 2025</b>	<b>31 December 2024</b>
Cost of sales- Note 19	<b>909,725</b>	948,838
General and administrative expenses- Note 21	<b>396,132</b>	327,335
	<b>1,305,857</b>	1,276,173

The movement in lease liabilities for the years ended 31 December is as follows:

	<b>31 December 2025</b>	<b>31 December 2024</b>
Balance at the beginning of the year	<b>9,730,907</b>	6,832,255
Additions and modifications to lease contracts	<b>434,557</b>	844,697
Additions from the acquisition of a subsidiary company	-	3,161,582
Disposals**	<b>(1,275,747)</b>	-
Interest expense – Note 22	<b>322,256</b>	396,511
Paid	<b>(1,345,988)</b>	(1,504,138)
<b>Balance as of the end of the year</b>	<b>7,865,985</b>	9,730,907

Lease liabilities are classified in the statement of financial position as at 31 December as follows:

	<b>31 December 2025</b>	<b>31 December 2024</b>
Non-current portion	<b>6,757,334</b>	8,523,605
Current portion	<b>1,108,651</b>	1,207,302
	<b>7,865,985</b>	9,730,907

**SAUDI VITRIFIED CLAY PIPES COMPANY**  
SAUDI JOINT STOCK COMPANY  
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2025  
(ALL AMOUNTS ARE IN SAUDI RIYALS "ﷲ" UNLESS OTHERWISE NOTED)

**9- Inventory**

	<u>31 December 2025</u>	<u>31 December 2024</u>
Spare parts (at cost)	19,193,300	17,359,994
Work-in-progress (at cost)	4,778,576	11,863,979
Finished goods (at the lower of cost or net realizable value)	6,983,983	10,760,830
Raw materials (at cost)	5,498,143	5,771,034
Accessories inventory (at cost)	2,518,605	1,865,431
Packaging materials inventory (at cost)	263,452	338,926
	<u>39,236,059</u>	<u>47,960,194</u>
Provision for damaged, slow-moving and obsolete inventory	<u>(11,926,967)</u>	<u>(5,106,397)</u>
Total inventory is measured at the lower of cost or net realizable value	<u>27,309,092</u>	<u>42,853,797</u>

The movement in the provision for damaged, slow-moving and obsolete inventory for the year is as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Balance at the beginning of the year	5,106,397	2,302,105
Additions due to returned items*	5,441,070	-
Charged during the year	1,959,794	2,804,292
Written-off during the year	(580,294)	-
<b>Balance as of the end of the year</b>	<u>11,926,967</u>	<u>5,106,397</u>

\* These additions represent the value of the provision related to items that were reinstated during the year, which had previously been written off in 2020. During the current year, management reinstated certain inventory items (spare parts) after confirming their continued existence within the physical inventory, despite having been previously written off for accounting purposes. As these items had been fully provided for under the provision for obsolete, slow-moving and damaged inventory, they were reinstated at the same carrying value, with no impact on profit or loss or on the net realizable value of inventory as at the date of the consolidated financial statements.

Inventory decreased by ﷲ 3,026,507 for the year ended 31 December 2025 as a result of a decline in net realizable value. This write-down has been recognized and charged to cost of sales of the consolidated financial statements.

**10- Prepayments and other assets**

	<u>31 December 2025</u>	<u>31 December 2024</u>
Advances to purchase plant and equipment	-	3,451,113
Advance payments to suppliers	2,438,218	1,137,743
Value Added Tax	683,993	354,788
Prepaid expenses	2,054,546	438,221
Refundable deposits	170,628	170,628
Letters of Guarantee	50,000	50,000
Employees' advances	48,024	24,700
	<u>5,445,409</u>	<u>5,627,193</u>

\* Prepaid expenses balance includes amounts of ﷲ 1,595,129 paid for advisory expenses related to the capital increase through a rights issue, which will be subsequently deducted from the offering proceeds.

**SAUDI VITRIFIED CLAY PIPES COMPANY**  
SAUDI JOINT STOCK COMPANY  
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2025  
(ALL AMOUNTS ARE IN SAUDI RIYALS "ﷲ" UNLESS OTHERWISE NOTED)

**11- Trade receivables**

	<u>31 December 2025</u>	<u>31 December 2024</u>
Trade receivables	<b>34,738,179</b>	29,415,762
Provision for expected credit losses	<b>(9,719,245)</b>	(8,444,049)
	<u><b>25,018,934</b></u>	<u>20,971,713</u>

The movement in the allowance for expected credit losses for the year is as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Balance at the beginning of the year	<b>8,444,049</b>	11,465,884
Reversed during the year	-	(2,637,338)
Charged during the year	<b>1,622,586</b>	-
Written-off during the year*	<b>(347,390)</b>	(384,497)
<b>Balance as of the end of the year</b>	<u><b>9,719,245</b></u>	<u>8,444,049</u>

\* The Board of Directors approved the write-off of trade receivables due from certain customers amounting to ﷲ 347,390 during the year ended 31 December 2025 (31 December 2024: ﷲ 384,497).

The analysis of the allowance for expected credit losses as at is as follows:

Aging of trade receivables	31 December 2025			31 December 2024		
	Book value	Expected credit losses rate	Expected credit losses	Book value	Expected credit losses rate	Expected credit losses
Up to 3 months	21,258,987	4.55%	967,108	17,379,160	3.10%	538,831
3-6 days	3,527,397	21.47%	757,377	1,157,003	36.17%	418,467
6 months to 1 year	2,520,481	36.45%	918,823	3,914,937	37.46%	1,466,477
Above 1 year to	7,431,314	95.22%	7,075,937	6,964,662	86.44%	6,020,274
	<u>34,738,179</u>	<u>27.98%</u>	<u>9,719,245</u>	<u>29,415,762</u>	<u>28.71%</u>	<u>8,444,049</u>

The Group holds a number of bank letters of guarantee issued by customers ﷲ 3.2 million as collateral for the collection of trade receivables, the effect of which is taken into account when estimating the allowance for expected credit losses.

**12- Cash and cash equivalents**

	<u>31 December 2025</u>	<u>31 December 2024</u>
Current accounts with banks	<b>14,138,511</b>	4,196,344
Cash on hand	<b>91,382</b>	21,900
	<u><b>14,229,893</b></u>	<u>4,218,244</u>

**SAUDI VITRIFIED CLAY PIPES COMPANY**  
SAUDI JOINT STOCK COMPANY  
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2025  
(ALL AMOUNTS ARE IN SAUDI RIYALS "ﷲ" UNLESS OTHERWISE NOTED)

**13- Defined benefit plan obligations**

The Company's policy provides for defined benefit plan obligations for all employees who complete the qualifying period of service under the Labor Law in the Kingdom of Saudi Arabia.

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

**a) The following are the key actuarial assumptions:**

	<u>31 December 2025</u>	<u>31 December 2024</u>
Discount rate	4.30%- 4.90%	5.15%- 5.40%
Salary growth rate	4.30%- 4.90%	5.15%- 5.40%
Retirement age	60 years	60 years

**b) The movement in the defined benefit plan obligations for the years ended 31 December is as follows:**

	<u>31 December 2025</u>	<u>31 December 2024</u>
Balance at the beginning of the year	11,629,328	11,768,471
<b>Recognized in the statement of profit or loss</b>		
Current service cost	1,352,506	1,229,578
Interest cost - note 22	684,757	673,992
	<u>2,037,263</u>	<u>1,903,570</u>
<b>Recognized in the statement of other comprehensive income</b>		
Remeasurement losses (gains) on defined benefit plan obligations	474,401	(607,940)
<b>Movement in cash</b>		
Paid during the year	(1,707,047)	(1,434,773)
<b>Balance as of the end of the year</b>	<u>12,433,945</u>	<u>11,629,328</u>

**c) The following is the sensitivity analysis of the employee end-of-service benefit obligations for the years ended 31 December:**

Assumptions	<u>31 December 2025</u>		<u>31 December 2024</u>	
	Increase	Decrease	Increase	Decrease
Discount rate (1%)	11,826,789	13,099,559	11,092,204	12,296,245
Salary inflation rate (1%)	13,161,056	11,758,453	12,359,633	11,022,937
Mortality rate (10%)	12,432,284	12,433,293	11,666,509	11,667,444
Employees turnover rate (10%)	12,375,412	12,495,036	11,608,280	11,731,180

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the employee end-of-service benefits to a significant actuarial assumption, the same method (present value of the employee end-of-service benefits calculated using the projected unit credit method at the end of the reporting period) has been applied as when calculating the employee end-of-service benefits recognized in the consolidated statement of financial position.

	<u>31 December 2025</u>	<u>31 December 2024</u>
Within twelve months	4,507,899	4,198,076
Between two and five years	7,495,279	7,943,165
More than five years	7,516,081	7,541,835
	<u>19,519,259</u>	<u>19,683,076</u>

**SAUDI VITRIFIED CLAY PIPES COMPANY**  
SAUDI JOINT STOCK COMPANY  
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2025  
(ALL AMOUNTS ARE IN SAUDI RIYALS "ﷲ" UNLESS OTHERWISE NOTED)

**14- Accrued expenses and other liabilities**

	<u>31 December 2025</u>	<u>31 December 2024</u>
Remuneration and compensation of the Board of Directors - Note 25	2,012,000	2,012,000
Salaries and employee benefits	2,283,636	1,387,846
Value Added Tax liabilities	388,808	90,128
Dividends payable to shareholders	82,463	82,463
Accrued interest on loans	807,208	60,645
Others	1,327,433	1,115,878
	<u>6,901,548</u>	<u>4,748,960</u>

**15- Long-term interest-bearing loans**

**Saudi Industrial Development Fund Loan**

During the year 2020, Saudi Land Factory for Cement Products ("the Subsidiary") signed a long-term interest-free loan agreement with the Saudi Industrial Development Fund for the purpose of constructing a plant for the production of reinforced concrete pipes and lined/unlined concrete pipes. The plant is to be built on land leased from the Saudi Authority for Industrial Cities and Technology Zones (MODON) under a lease agreement in Al-Kharj city. This is considered a qualifying government grant, given that SIDF is a government entity and the Subsidiary obtained the loan interest-free, and the conditions associated with the government grant have been met. The total financing obtained amounted to ﷲ 15.9 million. This loan is secured against compliance with financial ratios and covenants, the signing of a promissory note for the full value of the loan, and a mortgage deed over all the Subsidiary's assets (building, machinery, means of transport, furniture, office equipment, all expansions, and all plant annexes). As at 31 December 2025, the Company was not in compliance with these covenants; therefore, the entire loan balance was reclassified to current liabilities. During the second quarter of the year 2024, the Group repaid an amount of ﷲ 3.1 million, bringing the balance as at 31 December 2025 to ﷲ 12.8 million. The loan is repaid in semi-annual installments, with the final installment due on 15 Safar 1450H (corresponding to 8 August 2028). The Group's management is currently working on rescheduling its liabilities with SIDF, as the unpaid installments amounted to ﷲ 3,400,000 as at 31 December 2025.

**The present value of the loan is as follows:**

	<u>Amount (in ﷲ)</u>
Value of installments due	12,800,000
Present value of installments	12,379,182
Deferred interest	<u>420,818</u>

**Saudi Investment Bank Loan**

During the year 2025, the Parent Company entered into a long-term banking facilities agreement with the Saudi Investment Bank for a total value of ﷲ 20 million, for the purpose of financing the construction of the Lafan pipe plant. The facility term is 72 months from the date of the first drawdown, including a 12-month grace period. The principal of the facility is repayable in 10 equal semi-annual installments, commencing on 15 January 2026 and ending on 15 July 2030, following the expiry of the grace period. The facility is priced based on the prevailing Saudi Interbank Offered Rate (SIBOR) plus a profit margin of 2.75% per annum. The profit is due and payable on a semi-annual basis. The facility is secured by compliance with specific financial covenants and ratios, in addition to a promissory note issued for the full value of the facility. As at 31 December 2025,

Long-term loans are classified in the statement of financial position as at 31 December as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Non-current portion	16,000,000	-
Current portion	16,379,182	12,060,272
	<u>32,379,182</u>	<u>12,060,272</u>

**SAUDI VITRIFIED CLAY PIPES COMPANY**  
SAUDI JOINT STOCK COMPANY  
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2025  
(ALL AMOUNTS ARE IN SAUDI RIYALS "ﷲ" UNLESS OTHERWISE NOTED)

**16- Short-term Murabaha**

The Parent Company has banking facilities in the form of Murabaha from local commercial banks with a total value of ﷲ 8,619,716 as at 31 December 2025 (31 December 2024: ﷲ 5 million) to finance the Company's operational activities. These facilities bear finance costs at prevailing market commission rates based on the Saudi Interbank Offered Rate (SIBOR) plus a fixed margin. The facility is secured against compliance with financial ratios and covenants, and the signing of a promissory note for the full value of the facility.

**17- ZAKAT Provision**

The movement in the Zakat provision for the years ended 31 December is as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Balance at the beginning of the year	2,597,427	4,028,540
Charged during the year	1,521,084	1,446,108
Paid during the year	<u>(1,391,662)</u>	<u>(2,877,221)</u>
<b>Balance as of the end of the year</b>	<u><b>2,726,849</b></u>	<u><b>2,597,427</b></u>

**Zakat status**

**a) Saudi Vitrified Clay Pipes Company (The Parent Company):**

- The Company has filed its Zakat returns and financial statements with the Zakat, Tax and Customs Authority ("The Authority") up to the year 2024, paid the amounts due under those returns, and obtained the required Zakat certificates. These returns remain under review by the Authority.
- The Company has finalized its Zakat status for the years up to 2020.
- The Authority has initiated an audit for the year 2024, which is currently in the preliminary request stage, and no preliminary findings have been issued to date.
- There is an outstanding appeal against Zakat assessments for the years 2021 and 2022, totaling ﷲ 549,850. The Company has escalated the appeal to the General Secretariat of Zakat, Tax and Customs Committees, and the appeal is still under review and discussion with the committees. The Company has established a provision against the Zakat assessments received.

**b) Saudi Land Factory for Cement Products (Subsidiary)**

- The Company has filed its Zakat returns and financial statements with the Authority up to the year 2024, paid the amounts due under those returns, and obtained the required certificates. The Company has not received any Zakat assessments to date, and the returns remain under review by the Authority.

**c) Lafan Pipe Company (Subsidiary):**

- The Company has filed its Zakat returns and financial statements with the Authority up to the year 2024, paid the amounts due under those returns, and obtained the required certificates. The Company has not received any Zakat assessments to date.

**SAUDI VITRIFIED CLAY PIPES COMPANY**  
SAUDI JOINT STOCK COMPANY  
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2025  
(ALL AMOUNTS ARE IN SAUDI RIYALS "ﷲ" UNLESS OTHERWISE NOTED)

**18- Revenue From Contracts With Customers**

- a) The Group's sales represent sales from the vitrified clay and cement pipe sectors of various diameters, sold directly to customers.  
b) Revenue from sales is recognized at a point in time.  
c) the following are the details of sales by geographical regions of the Group:

**For the year ended 31 December 2025**

<b>Sectors</b>	<b>Vitrified Clay Pipes</b>	<b>Cement Pipes</b>	<b>Total</b>
<b>Geographical distribution</b>			
Kingdom of Saudi Arabia	31,845,449	31,756,276	<b>63,601,725</b>
Sales outside the Kingdom of Saudi Arabia	4,666,780	-	<b>4,666,780</b>
<b>Total revenue from contracts with customers</b>	<b>36,512,229</b>	<b>31,756,276</b>	<b>68,268,505</b>
<b>Timing of revenue recognition</b>			
Goods and services transferred at a point in time	36,512,229	31,756,276	<b>68,268,505</b>
<b>Total revenue from contracts with customers</b>	<b>36,512,229</b>	<b>31,756,276</b>	<b>68,268,505</b>

**For the year ended 31 December 2024**

<b>Sectors</b>	<b>Vitrified Clay Pipes</b>	<b>Cement Pipes</b>	<b>Total</b>
<b>Geographical distribution</b>			
Kingdom of Saudi Arabia	45,297,089	8,292,138	53,589,227
Sales outside the Kingdom of Saudi Arabia	4,897,787	-	4,897,787
<b>Total revenue from contracts with customers</b>	<b>50,194,876</b>	<b>8,292,138</b>	<b>58,487,014</b>
<b>Timing of revenue recognition</b>			
Goods and services transferred at a point in time	50,194,876	8,292,138	58,487,014
<b>Total revenue from contracts with customers</b>	<b>50,194,876</b>	<b>8,292,138</b>	<b>58,487,014</b>

**19- Cost of Revenue**

	<b>31 December 2025</b>	<b>31 December 2024</b>
Raw Materials and Production Supplies Used	<b>40,429,277</b>	17,703,945
Salaries and employee benefits	<b>15,281,697</b>	14,242,322
Utilities and other direct costs	<b>12,108,285</b>	9,159,437
Indirect costs	<b>6,203,350</b>	7,054,497
Depreciation of property, plant and equipment (Note 5)	<b>4,580,607</b>	10,785,501
Depreciation of right-of-use- assets (Note 8)	<b>909,725</b>	948,838
Provision for slow-moving and obsolete inventories- (Note 9)	<b>1,959,794</b>	2,804,292
Losses on disposal of spare parts	<b>2,343,910</b>	-
	<b>83,816,645</b>	62,698,832

**20- Selling and distribution expenses**

	<b>31 December 2025</b>	<b>31 December 2024</b>
Freight expenses	<b>6,192,988</b>	1,909,361
Other costs and benefits for sales staff	<b>1,026,140</b>	1,157,488
Others	-	11,188
	<b>7,219,128</b>	3,078,037

**SAUDI VITRIFIED CLAY PIPES COMPANY**  
SAUDI JOINT STOCK COMPANY  
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2025  
(ALL AMOUNTS ARE IN SAUDI RIYALS "ﷲ" UNLESS OTHERWISE NOTED)

**21- General and administrative expenses**

	<u>31 December 2025</u>	<u>31 December 2024</u>
Salaries and employee benefits	14,439,775	13,052,313
Remuneration and allowances for Board of Directors members	1,971,000	2,002,000
Professional and consultancy fees	1,418,587	2,462,856
Depreciation of right-of-use- assets (Note 8)	396,132	327,335
Insurance and medical expenses	256,876	192,468
Bank fees	280,780	135,085
Travel and transport	68,678	113,725
Maintenance	145,235	191,953
Rent expense	13,080	2,464
Others	2,438,608	1,484,876
	<u>21,428,751</u>	<u>19,965,075</u>

**22- Finance costs**

	<u>31 December 2025</u>	<u>31 December 2024</u>
Interest cost on employee benefits - Note 13	684,757	673,992
Interest on lease liabilities - Note 8	322,256	396,511
Interest on loans	833,604	662,416
	<u>1,840,617</u>	<u>1,732,919</u>

**23- Other income (expenses)**

	<u>31 December 2025</u>	<u>31 December 2024</u>
Gain on disposal of property, plant and equipment- Note 5	21,985,694	60,397
Gains on derecognition of lease contracts	150,880	-
Other expenses	(105,403)	(471,519)
	<u>22,031,171</u>	<u>(411,122)</u>

**24- Loss per share**

Basic and diluted loss per share is calculated by dividing the net loss for the year by the weighted average number of outstanding shares as at the end of the year, as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Net Loss for the Year	(32,492,500)	(108,445,350)
Weighted average number of outstanding shares at the end of the year	15,000,000	15,000,000
Basic and diluted loss per share from net loss for the year	<u>(2.17)</u>	<u>(7.23)</u>

**SAUDI VITRIFIED CLAY PIPES COMPANY**  
SAUDI JOINT STOCK COMPANY  
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2025  
(ALL AMOUNTS ARE IN SAUDI RIYALS "ﷲ" UNLESS OTHERWISE NOTED)

**25- Related party transactions**

Related parties comprise the Company's shareholders, directors, and senior management, as well as affiliated companies (the Company and entities within the same group), and entities under the control, joint control, or significant influence of such parties. The terms of these transactions are approved by the Company's management. The following is a summary of the Company's related party transactions:

a) The following are the significant transactions with related parties for the year ended:

<u>Related party</u>	<u>Transaction type</u>	<u>31 December 2025</u>	<u>31 December 2024</u>
Board of Directors and its sub-committees	Attendance fees and remuneration	<b>1,971,000</b>	2,002,000
Senior management and key executives	Salaries and other benefits	<b>5,721,000</b>	5,278,500
Provision of employee end-of-service		<b>169,150</b>	124,148

b) The following are the related party balances for the year ended:

		<u>31 December 2025</u>	<u>31 December 2024</u>
Due to related parties -Note 14	Board of Directors' remuneration	<b>2,012,000</b>	2,012,000

**26- Financial Instruments, Risk Management and Fair Value**

**1- Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group holds various financial instruments in the ordinary course of its activities.

**26.1 Financial instruments by category**

(a) Financial assets at amortized cost:

	<u>Notes</u>	<u>31 December 2025</u>	<u>31 December 2024</u>
Trade receivables	11	<b>25,018,934</b>	20,971,713
Other current assets	10	<b>952,645</b>	600,116
Cash and cash equivalents (excluding cash on hand)	12	<b>14,138,511</b>	4,196,344
		<b>40,110,090</b>	25,768,173

(b) Financial liabilities at amortized cost:

	<u>Notes</u>	<u>31 December 2025</u>	<u>31 December 2024</u>
Lease liabilities	8	<b>7,865,985</b>	9,730,907
Trade Payables		<b>9,525,649</b>	4,157,232
Accrued expenses	14	<b>6,901,548</b>	4,748,960
Loans and Murabaha	16-15	<b>40,998,898</b>	17,060,272
Contract liabilities with customers		<b>928,183</b>	737,634
		<b>66,220,263</b>	36,435,005

The carrying amount of financial assets and liabilities approximates their fair value. Financial assets are not considered to pose a significant credit risk. Trade receivables are due from customers who have been assessed for creditworthiness prior to entering into transactions with them.

## SAUDI VITRIFIED CLAY PIPES COMPANY

SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

(ALL AMOUNTS ARE IN SAUDI RIYALS "ﷲ" UNLESS OTHERWISE NOTED)

---

### 26- Financial Instruments, Risk Management and Fair Value (Continued)

#### 26.2 Fair value of assets and liabilities

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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### 2- FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: Market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group also uses derivative financial instruments to hedge certain risk exposures.

#### 26.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is represented by interest rate risk, currency risk and other price risk.

#### 26- 2 Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments. There are no interest-bearing financial liabilities at the end of reporting period.

#### 26.3 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did undertake significant transactions in currencies Saudi Riyals and US Dollars and EURO during the year ended 31 December 2025 and 2024. Since Saudi Riyal is pegged to the US Dollar, EURO the Group is not exposed to significant foreign currency risk.

## 26- Financial Instruments, Risk Management and Fair Value (Continued)

### 26.4 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The management continuously monitors the credit exposure towards the customers and makes allowances against those balances considered doubtful of recovery using the expected credit loss model. To mitigate the risk, the Group has developed a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored.

The Group's gross maximum exposure to credit risk at the reporting date is as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
<b>Financial assets</b>		
Trade receivables	25,018,934	20,971,713
Other current assets	952,645	600,116
Cash at banks	<u>14,138,511</u>	<u>4,196,344</u>
	<u>40,110,090</u>	<u>25,768,173</u>

### Cash at banks

For banks, only independently rated parties with sound credit ratings are accepted. The stated rating is as per the global bank ratings by Moody's Investors Service. Management does not expect any losses from non-performance by these counterparties. The identified risk of default arising on these balances is considered not to be material.

The credit rating of banks and financial institution in which the Group holds cash are as follows:

	<u>31 December 2025</u>	<u>31 December 2024</u>
A	<u>14,138,511</u>	<u>4,196,344</u>
	<u>14,138,511</u>	<u>4,196,344</u>

### Trade and other receivables

The Group uses the forward-looking 'expected credit loss' (ECL) model to measure the impairment loss on financial assets. Cash at banks are placed with banks with sound credit ratings. Employee and other receivables are considered to have low credit risk therefore, 12 months expected loss model was used for impairment assessment. Based on management's impairment assessment, there is no provision required in respect of these balances for all the years presented.

For trade receivables, the Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables based on a provision matrix. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The provision matrix takes into account historical credit loss experience and is adjusted for average historical recovery rates. The historical loss rates are also considered to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group considers the gross domestic product as the most relevant macro-economic factor of forward-looking information that would impact the credit risk of the customers, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Refer to Note 11 for information about the exposure to credit risk and ECLs for trade receivables from customers.

**SAUDI VITRIFIED CLAY PIPES COMPANY**

SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

(ALL AMOUNTS ARE IN SAUDI RIYALS "ﷲ" UNLESS OTHERWISE NOTED)

**26- Financial Instruments, Risk Management and Fair Value (Continued)****26.5 Liquidity risk**

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. The Group has no significant concentration of liquidity risk. For instance, concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowings or reliance on a particular market in which to realize liquid assets. The following is contractual undiscounted maturity analysis of the financial liabilities of the Group as at 31 December 2025. The Group does not hold financial assets for managing liquidity risk. Hence, these risks have not been considered for maturity analysis.

<b>As at 31 December 2025</b>	<b>Book value</b>	<b>Contractual cash flows</b>	<b>Year</b>	<b>From 1 year to 5 years</b>	<b>More than 5 years</b>
Lease liabilities	7,865,985	10,349,642	1,611,762	5,259,994	3,477,886
Loans and Murabaha	40,998,898	46,161,863	20,568,479	25,593,384	-
Accrued expenses and other liabilities	6,901,548	6,901,548	6,901,548	-	-
Contract liabilities with customers	928,183	928,183	928,183	-	-
Trade Payables	9,525,649	9,525,649	9,525,649	-	-
	<b>66,220,263</b>	<b>73,866,885</b>	<b>39,535,620</b>	<b>30,853,378</b>	<b>3,477,886</b>

<b>As at 31 December 2024</b>	<b>Book value</b>	<b>Contractual cash flows</b>	<b>Year</b>	<b>From 1 year to 5 years</b>	<b>More than 5 years</b>
Lease liabilities	9,730,907	11,770,129	1,422,836	6,316,178	4,031,115
Loans and Murabaha	17,060,272	17,800,000	8,400,000	9,400,000	-
Accrued expenses and other liabilities	4,748,960	4,748,960	4,748,960	-	-
Contract liabilities with customers	737,634	737,634	737,634	-	-
Trade Payables	4,157,232	4,157,232	4,157,232	-	-
	<b>36,435,005</b>	<b>39,213,955</b>	<b>19,466,662</b>	<b>15,716,178</b>	<b>4,031,115</b>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

## SAUDI VITRIFIED CLAY PIPES COMPANY

SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

(ALL AMOUNTS ARE IN SAUDI RIYALS "ﷲ" UNLESS OTHERWISE NOTED)

### 26- Financial Instruments, Risk Management and Fair Value (Continued)

#### 3- CAPITAL MANAGEMENT

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Group manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares. The Group also monitors capital using a gearing ratio, which is net debt divided by total capital, less cash and bank balances. Capital signifies equity as shown in the statement of financial position plus net debt. Net debt is calculated as borrowings (if any), lease liabilities as shown in the consolidated statement of financial position, less cash and cash equivalents and fixed term deposits. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

	<u>31 December 2025</u>	<u>31 December 2024</u>
Total liabilities	<b>48,864,883</b>	26,791,179
Less: Cash and cash equivalents	<b>(14,229,893)</b>	(4,218,244)
Net debt	<b>34,634,990</b>	22,572,935
Shareholders' equity	<b>69,069,679</b>	102,036,580
Total capital	<b>103,704,669</b>	<b>124,609,515</b>
Gearing ratio	<b>33.4%</b>	18.1%

The total liabilities comprise obligations under lease contracts, loans, and Murabaha financings.

### 27- Contingent Liabilities and Outstanding Litigations

- a) Saudi Land Company for Cement Products has liabilities for the purchase of plant and equipment amounting to EUR 217,782 (equivalent to ﷲ 942,996) as at 31 December 2025. (31 December 2024: EUR 2,089,149 equivalent ﷲ 8,502,836).
- b) Laffan Cement Pipes Company has capital commitments for the execution of the Laffan pipe factory construction project amounting to ﷲ 6,085,932 as at 31 December 2025. (31 December 2024: Nil)
- c) The Group has bank facilities in the form of letters of guarantee from local banks as at 31 December 2025, totaling ﷲ 687,462, related to capital requirements for the supply of plant and equipment for Saudi Land Factory Company. (31 December 2024: Nil)

**SAUDI VITRIFIED CLAY PIPES COMPANY**

SAUDI JOINT STOCK COMPANY

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

(ALL AMOUNTS ARE IN SAUDI RIYALS "ﷲ" UNLESS OTHERWISE NOTED)

**28- Segment Reporting**

The Company's principal activity consists of segments comprising the production of vitrified clay and cement pipes and Plastic . The following is a statement of selected segmental information for each segment:

<b>Sectors</b>	<b>Vitrified Clay Pipes</b>	<b>Cement Pipes</b>	<b>Plastic pipes</b>	<b>Total</b>
<b>As at 31 December 2025</b>				
Total assets	64,615,655	67,564,580	20,449,512	152,629,747
Total liabilities	56,317,380	26,620,846	621,842	83,560,068
<b>As at 31 December 2024</b>				
Total assets	104,090,096	50,866,012	-	154,956,108
Total liabilities	32,755,737	20,163,791	-	52,919,528
<b>Sectors</b>	<b>Vitrified Clay Pipes</b>	<b>Cement Pipes</b>	<b>Plastic pipes</b>	<b>Total</b>
<b>For the period ended 31 December 2025</b>				
Revenue	36,512,229	31,756,276	-	68,268,505
Segment loss for the year before Zakat	(22,904,343)	(7,582,063)	(485,010)	(30,971,416)
<b>For the period ended 31 December 2024</b>				
Revenue	50,194,876	8,292,138	-	58,487,014
Segment loss for the year before Zakat	(101,619,549)	(5,379,693)	-	(106,999,242)

Detailed revenue information by geographical segments is disclosed in Note (18).

**29- SUBSEQUENT EVENTS**

The Saudi Vitrified Clay Pipe Co. announce the issuance of the Capital Market Authority Resolution dated 14 Shawwal 1447H corresponding to 02 April 2026, which includes the approval of the Company's request to increase its capital by offering rights shares by increasing the Company's capital by an amount of ﷲ 80,000,000, noting that this approval is conditional on the approval of the Company's Extraordinary General Assembly to increase the Company's capital and complete the relevant legal procedures and regulatory requirements.

**30- Approval of the consolidated financial statements**

The consolidated financial statements were authorized for issue by the Board of Directors, following the Audit Committee's recommendation for approval, on 11 Shawwal 1447H (corresponding to 30 March 2026).