

**AI KATHIRI HOLDING COMPANY
(SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS (UNAUDITED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2023
TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT**

**AI KATHIRI HOLDING COMPANY
SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2023
TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT**

INDEX	PAGES
Independent auditor's review report on condensed consolidated interim financial statements	1
Condensed consolidated interim statement of financial position (unaudited)	2
Condensed consolidated interim statement of profit or loss and other comprehensive income (unaudited)	3
Condensed consolidated interim statement of changes in shareholders' equity (unaudited)	4
Condensed consolidated interim statement of cash flows (unaudited)	5
Notes to the consolidated interim financial statements (unaudited)	6 – 22

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

To the **Shareholders of AL KATHIRI HOLDING COMPANY**
 (A Saudi Joint-Stock Company)

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of **AL KATHIRI HOLDING COMPANY** (Saudi Joint Stock Company) ("the company") and its subsidiary collectively referred to together as the ("Group"), as at March 31, 2023, and the related interim condensed consolidated statement of profit or loss and other comprehensive income and changes in shareholder's equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes.

The management is responsible for preparing and presenting these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 (interim Financial Reporting) endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review:

We conducted our review in accordance with the International Standard on Review Engagements No. (2410) Review of interim Financial Information performed by the independent auditor of the entity, endorsed in the Kingdom of Saudi Arabia. A review of the interim financial statements consists of making inquiries, primarily, to those responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards of Auditing endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would be become aware of all significant matters that might be identified in an audit. Accordingly, we do not express such an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements as at March 31, 2023 have not been prepared in all material respects in accordance with the International Accounting Standard No. 34 (Interim Financial Report) endorsed in the Kingdom of Saudi Arabia.

AlKharashi & Co.



Abdullah S Al Msned
C.A. License No. (456)



Riyadh:

May 22, 2023

Dhul Qa'dah 2, 1444

AI KATHIRI HOLDING COMPANY
SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)
ALL AMOUNTS ARE IN SAUDI RIYALS

		As at 31 March	As at Decmeber 31
	Note	2023	2022
		(Unaudited)	(Audited)
<u>ASSETS</u>			
NON-CURRENT ASSETS :			
Property, machinery and equipment (Net)	7	140,375,809	142,543,391
Right of use assets	8	15,899,527	16,399,067
Total non-current assets		156,275,336	158,942,458
CURRENT ASSETS :			
Trade receivables (Net)	9	27,219,905	26,372,971
Raw material inventory	10	11,867,832	9,213,079
Spare parts inventory		1,138,977	811,415
Other debit balances	12	5,858,249	3,829,285
Cash and Cash Equivalents	13	3,385,002	2,720,350
Total current assets		49,469,965	42,947,100
Total assets		205,745,301	201,889,558
<u>SHAREHOLDERS' EQUITY AND LIABILITIES</u>			
SHAREHOLDERS' EQUITY:			
Share Capital	14	113,022,000	113,022,000
Share premium		7,559,083	7,559,083
Statutory Reserve		4,927,354	4,927,354
Retained earnings		11,269,783	9,706,370
Equity belonging to the parent company		136,778,220	135,214,807
Non-controlling equity		229,918	235,192
Total shareholders' equity		137,008,138	135,449,999
<u>LIABILITIES</u>			
NON-CURRENT LIABILITIES:			
Non-current portion of Saudi Industrial Development Fund loan	15	19,582,405	19,582,405
Non-current portion of Lease liabilities	8	4,513,474	5,281,579
Provision for removal and rehabilitation		258,417	256,420
Employees defined benefit obligations	16	2,564,163	2,369,139
Total non-current liabilities		26,918,459	27,489,543
CURRENT LIABILITIES:			
Trade payables		16,337,217	13,391,643
Short term loans	17	15,984,396	15,987,292
Current portion of Saudi Industrial Development Fund loan	15	1,806,580	1,736,783
Current portion of Lease liabilities	8	4,842,181	5,269,134
Other credit balances	18	2,653,832	1,787,173
zakat	19	194,498	777,991
Total current liabilities		41,818,704	38,950,016
Total liabilities		68,737,163	66,439,559
Total Shareholders' Equity And Liabilities		205,745,301	201,889,558

Finance Manager

Chief Executive Officer

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**AI KATHIRI HOLDING COMPANY
SAUDI JOINT STOCK COMPANY**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
ALL AMOUNTS ARE IN SAUDI RIYALS**

	Note	For thr three monthes period ended 31 March	
		2023	2022
Revenue			
Less:	20	32,114,499	25,274,223
Cost of revenue			
Gross profit	21	(23,066,643)	(20,954,601)
Less:		9,047,856	4,319,622
Selling and Marketing expenses		(822,187)	(579,405)
General and administrative expenses	22	(2,340,681)	(2,193,484)
Depreciation fixed Assets	7	(3,442,943)	(3,146,797)
Profit (loss) from main operations		2,442,045	(1,600,064)
Capital Losses			-
Provision expired			-
Finance cost		(714,496)	(284,010)
Other Revenue		25,088	54,226
Profit (loss) beforer Zakat		1,752,637	(1,829,848)
Less:			
Zakat	19	(194,498)	(242,236)
Net profit (loss) for the Period		1,558,139	(2,072,084)
Other comprehensive losses			
Actuarial revaluation of employee benefits		-	-
Total other comprehensive income (comprehensive loss)		1,558,139	(2,072,084)
Net profit / (Loss) attributable to:			
Company shareholders		1,563,413	(2,060,845)
Non-controlling equity		(5,274)	(11,239)
Total other comprehensive income (comprehensive loss) attributable to:			
Company shareholders		1,563,413	(2,060,845)
Non-controlling equity		(5,274)	(11,239)
BASIC AND DILUTED EARNINGS (loss) PER SHARE FOR THE PERIOD	23		
Net profit attributable to company shareholders		0.14	(0.18)
Total comprehensive income attributable to company shareholders		0.14	(0.18)
Weighted average number of shares		11,302,200	11,302,200

Finance Manager

Chief Executive Officer

**AI KATHIRI HOLDING COMPANY
SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
ALL AMOUNTS ARE IN SAUDI RIYALS**

	Share Capital	Share premium	Statutory Reserve	Retained Earnings	Total equity belonging to the parent company	Non-controlling equity	Total
At 1 January 2023 "audited"	113,022,000	7,559,083	4,927,354	9,706,370	135,214,807	235,192	135,449,999
Net Profit for the period	-	-	-	1,563,413	1,563,413	(5,274)	1,558,139
At 31 March 2023 " Unaudited"	113,022,000	7,559,083	4,927,354	11,269,783	136,778,220	229,918	137,008,138
At 1 January 2022 "audited"	113,022,000	7,559,083	4,756,378	8,424,759	133,762,220	172,998	133,935,218
Net Profit for the period	-	-	-	(2,060,845)	(2,060,845)	(11,239)	(2,072,084)
At 31 March 2022 " Unaudited"	113,022,000	7,559,083	4,756,378	6,363,914	131,701,375	161,759	131,863,134

Finance Manager



Chief Executive Officer



The accompanying notes are an integral part of these condensed consolidated interim financial statements.

AI KATHIRI HOLDING COMPANY
SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)
ALL AMOUNTS ARE IN SAUDI RIYALS

	For thr three monthes period ended 31 March	
	2023	2022
	(Unaudited)	(Unaudited)
Cash Flows From Operations Activities:		
Net profit (loss) for the period	1,558,139	(2,072,084)
ADJUSTMENTS TO RECONCILE NET PROFIT TO NET CASH GENERATED FROM USED IN OPERATIONS ACTIVITIES:		
Depreciation	2,935,536	3,146,797
zakat charged for the period	194,498	242,236
Amortization of right to use assets	507,407	71,181
Provision for removal and rehabilitation charged	1,997	-
Provision employees defined benfit obligations	343,645	132,362
Zakat paid	(777,991)	
Changes In working capital:	4,763,231	1,520,492
Trade receivables	(846,934)	(1,767,769)
Raw material inventory	(2,654,753)	(801,667)
Spare parts inventory	(327,562)	44,350
Other debit balances	(2,028,964)	(5,736,254)
Right of use assets	(7,867)	-
Trade payables	2,945,574	759,420
Related parties	-	148,163
Other credit balances	866,659	1,731,622
Provision for end of service Paid	(148,621)	-
Net cash generated from (used in) operating activities	2,560,763	(4,101,643)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Additions of property and equipment	(396,307)	(8,725,556)
Projects under constructions	(371,647)	963,806
Net cash (used in) investing activities	(767,954)	(7,761,750)
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Short term loans	(2,896)	(13,432,880)
Saudi Industrial Development Fund loan	69,797	16,964,583
Lease obligation	(1,195,058)	7,321,248
Net cash generated from /(used in) financing activites	(1,128,157)	10,852,951
Net change in cash and cash equivalents	664,652	(1,010,442)
Cash and cash equivalents at the beginning of the period	2,720,350	9,684,217
Cash and cash equivalents at the end of the period	3,385,002	8,673,775
<u>Non-cash flow:</u>		
Property and equipment transfer from projects under process	7,480,894	-

Finance Manager

Chief Executive Officer

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

NOTE 1. INFORMATION ABOUT THE COMPANY:

a. Establishment of the Company

Al Kathiri Holding Company (the Company), The Company is a Saudi joint stock Company registered in Riyadh the Kingdom of Saudi Arabia under Commercial Registration number 1010255690 on 29 Shaban 1429 H (30 Aug 2008 G).

b. Company's Activity

The main activities of the Company are managing its subsidiaries or participating in managing other companies in which it contributes and providing the necessary support for them and owning industrial property rights from patents, trademarks and industrial marks, concession rights, and other intangible rights, exploiting them and leasing them to its subsidiaries or others.

c. The Company's share capital

During the year 2017, the partners decided to convert the company from a limited liability company to a joint stock company, and Ministerial Resolution No. (Q / 171) was issued on 06/09/1438 H approving the license to convert the company, and on the date of 06/15/1438 AH Ministerial Decision No. (S) was issued / 181) by announcing the company's transformation into a joint stock company and increasing its capital from 5,000,000 SR to 27,300,000 SR by transferring an amount of 20,207,901 SR from the Retained Earnings and an amount of 2,092,099 SR from the statutory reserve based on the 2016 Consolidated financial statements.

On 17/5/2017 the Capital Market Authority announced the approval of the prospectus for the issuance of Al Kathiri Holding Company and offering 819,000 shares representing 26.1% of the capital to list in the Nomu - parallel market with a capital of 31,395,000 SR

The capital was raised by the resolution of the General Assembly on Dhu Al-Hijjah 5, 1439 AH corresponding to August 16, 2018 AD, to become 37,674,000, by granting free shares at the rate of (1) free share for each holder of (5) shares on the date of the meeting

On 18 Shaban 1440 AH corresponding to April 23, 2019 AD, the Ordinary General Assembly decided to increase the capital to 45,208,800 riyals, by granting free shares at the rate of (1) free share for each holder of (5) shares on the date of the meeting

On 10/28/2019, the Capital Market Authority issued a decision containing the approval of the Al Kathiri Holding Company's request to move from the Nomu - parallel market to the main market with a capital of 45,208,800 SR and 4,520,880 shares.

The extraordinary general assembly meeting held on 18/2/1442H corresponding to 5/10/2020 was approved on the recommendation of the Board of Directors to meet on 17/3/1441H corresponding to 11/14/2019 to increase the company capital from 45,208,800 riyals to 90,417,600 riyals by offering Shares for a public subscription while retaining the right of priority in the subscription of shares for shareholders attending the meeting of the shareholders' association.

The Extraordinary General Assembly held on 13/11/1442AH corresponding to 06/23/2021, agreed to increase the company's capital from 90,417,600 riyals to 113,022,000 riyals, through retained earnings by granting one free share to each shareholder who owns 4 shares of the company's shares.

During the year 2022, the company established a special purpose entity named Alkathiri Sukuk Facility "Special Purpose Entity" licensed by the Capital Market Authority No. (SPE00034) on December 16, 2021, so that Alkathiri Holding Company is the sponsor and Al-Khair Capital Company is the trustee, and the nature of the activity of this entity is the issuance of debt-based debt instruments.

D. Fiscal year:

The fiscal year of the Company is 12 months starting from the beginning of January and ending in December of each year.

E. Presentation and activity currency

The financial statements are prepared in Saudi riyals, which is the Company's activity and presentation currency. All numbers have been rounded to the nearest Riyal unless otherwise indicated.

2. THE BASIS OF PREPARATION:

2-1 Statement of commitment

The company's Consolidated financial statements were prepared in accordance with the international standards of the financial report adopted in Saudi Arabia and other standards and issues issued by the Saudi Association of Chartered Accountants.

2.2 Accounting basis

Consolidated financial statements are prepared in accordance with the principle of historical cost and using Accrual basis and the concept of continuity of activity, excluding financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss and investments in Islamic murabaha that are proven at fair value through the statement of profits or losses and investments in associate companies which are recorded in accordance with the method of equity.

Information about the group

The condensed interim consolidated financial statements include the financial statements of Al Kathiri Holding Company and the condensed interim financial statements of all companies controlled by the Company (its subsidiaries) that were established or acquired until 31 March 2023. They are as follows:

Company's name	Country	Legal entity	Ownership Percentage(%)
Alian Industry Company	Kingdom of Saudi Arabia	Saudi Closed Joint Stock Company	99
Msandh Alemdad Company	Kingdom of Saudi Arabia	Limited liability Company	100
Sukuk Al-kathiri	Kingdom of Saudi Arabia	Special purpose entity	The company is the sponsor

3. BASIS OF CONSOLIDATED FINANCIAL STATEMENTS:

These consolidated financial statements, which include the consolidated statement of financial position, the consolidated profit or loss and comprehensive income statement, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated Consolidated financial statements of the Group It includes the assets, liabilities, and results of the operations of the company and its subsidiaries, as shown in Note (2). Subsidiaries are the entities that the group controls. In particular, the group controls the investee company only when the group has:

- Power over the investee company (that is, the existence of rights that give the group the current ability to direct activities related to the investee company).
- Exposure to risks, or rights to obtain different returns through its relationship with the investee company.
- The ability to use its powers over the investee company to influence its returns.
- In general, there is an assumption that a majority of voting rights results in control. In support of this assumption, when the group has less than a majority in voting rights or similar rights in the investee company, the group takes into account all the facts and circumstances related to this when ascertaining whether it exercises control over the investee company, and this includes:
 - The contractual arrangement (arrangements) with other voting rights holders in the investee company.
 - Rights arising from other contractual arrangements.
 - The group's voting rights and potential voting rights.

3. BASIS OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

Subsidiaries are consolidated from the date on which control commences until the date on which control ceases. The group accounts for the business combination using the acquisition method when control is transferred to the group. The consideration transferred in the acquisition is generally measured at fair value, as is the case for the net identifiable assets acquired. The excess of the cost of acquisition plus the fair value of the non-controlling interests over the fair value of the net identifiable assets acquired is recorded as goodwill in the consolidated statement of financial position. Non-controlling interest is measured by the proportion of its share of the net identifiable assets of the acquiree at the date of the acquisition. The share in profit or loss and net assets not controlled by the Group are presented as a separate item in the consolidated statement of profit or loss and comprehensive income and within equity in the consolidated statement of financial position. Both transactions as well as unrealized balances and profits and losses resulting from inter-company transactions are eliminated. Accounting policies of subsidiaries are modified when necessary to ensure compliance with the policies followed by the Group.

4. USE OF ESTIMATES:

The preparation of these consolidated financial statements requires management to use judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. significant areas of management judgment when applying accounting policies and the significant sources of estimates and uncertainties that have a material impact similar to those shown in the previous year's consolidated financial statements .

5. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES:

The policies used to prepare the consolidated financial statements for the year ended March 31, 2023 are the same as those applied in the consolidated financial statements for the year ended December 31, 2022.

5-1 Financial assets - recognition and measurement

At the initial recognition, all financial assets are proven at the price of their transactions, which represents fair value, unless the arrangement actually consists of a financing transaction. If the arrangement consists of a financing transaction, the item is measured initially at the current value of future flows discounted at the market interest rate of a similar debt instrument.

After initial recognition, the extinguished cost model (or in some cases the cost model by nature and purpose of the financial asset) is applied to measure the underlying financial instruments.

Loans and debt

Receivable loans are non-derivative financial assets with fixed or identifiable payments that are not listed on an active market. They are part of current assets except those with a maturity date of more than 12 months after the end of the reporting period and are classified as non-current assets. Loans and receivables include accounts of commercial debtors and other debtor assets owed by related parties and cash in the fund and at banks.

Trade Receivables

The amounts due from customers for goods sold or services performed in the normal business context are represented. Debtors are proven to be the value of the original invoice minus the amount of doubtful amounts. An estimate of doubtful debts is made when there are fundamental doubts that the full amount cannot be collected. Bad debts are written off when there is no possibility of recovery.

5. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

5.6 Property, machinery and equipment (continued)

The book value of property, machinery and equipment is audited to ensure a decrease in its value when events or changes in circumstances indicate that the book value cannot be recovered. If such evidence exists and the book value is greater than the recoverable value, the value of property, machinery and equipment is reduced to the recoverable value, which represents the greater value of the equitable value of the asset minus the sale costs or the present value of cash flows for the estimated future benefits of that asset.

The profit or loss resulting from the exclusion or disposal of an asset is determined on the basis of the difference between the net extracted from the exclusion and the book value of the asset and recognizes it in the consolidated statement of profits or losses and other comprehensive income.

Carry repair and maintenance expenses it in the consolidated statement of profits or losses and other comprehensive income. Improvements that substantially increase the value or age of the asset in question are capitalized.

The remaining values, age of use and method of consumption are reviewed at the end of each fiscal year and the impact of any changes in estimate is calculated on the future basis.

Gains or losses resulting from the exclusion of property and equipment, calculated on the basis of the difference between net sales intake and the book value of the asset, are recognized in the consolidated statement of profit or loss and other comprehensive income when the asset is excluded.

At the end of each reporting period, the Company reviews the book values of its assets to determine whether there is any indication that those assets have suffered impairment losses. If such indicators exist, the recoverable value of the asset is estimated in order to determine the extent of loss of depreciation (if any). When it is not possible to estimate the refundable amount for a single asset, the company estimates the refundable amount for the cash generating unit to which the asset belongs. When a reasonable and consistent basis for distribution can be established, the company's assets are also distributed to individual cash generating units, or otherwise distributed to the smallest set of cash units for which a reasonable and consistent basis can be determined.

The refundable amount exceeds the fair value minus the sale cost and the value generated by the use. When estimating the value of use, estimated future cash flows are deducted from their current value using the pre-tax discount rate that reflects current market assessments of the time value of the money and the specific risks of the asset for which future cash flows have not been adjusted.

If the refundable amount (cash generating unit) is less than its book value, the book value (cash generating unit) of the asset is reduced to its refundable amount. A loss of depreciation is listed directly in the consolidated statement of profit or loss and other comprehensive income.

If the loss of value is subsequently reversed, the book value of the asset (or cash generating unit) must be increased to the adjusted estimates of the recoverable amount, but so that the increased book value does not exceed the book value that could have been determined if the loss of value of the asset (or cash generating unit) was not acknowledged in previous years. The loss of impairment is recognized directly in the consolidated statement of profit or loss and other comprehensive income.

5.7 Capital works in progress

The capital works under implementation include all assets that are capitalized for incompleteness as well as existing projects and are proven at cost, including all costs from contractors' dues, material value and consultant fees.

5.8 Borrowing costs

Borrowing costs directly related to the creation of eligible assets, which require a long period of time to be ready for the required use, are capitalized upon completion of all necessary activities related to the preparation of the eligible asset for the purpose for which it was created. All other borrowing costs are established as an allowance and are placed on the consolidated of profits or losses other comprehensive income in the period in which they occurred.

5. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

5.9 Provision End-of-Service indemnities

The company provides severance pay compensation to its employees in accordance with the provisions of the labor and workers' system in Saudi Arabia, which is entitled on the basis of the employee's final wage, length of service and completion of the minimum period of service.

The end-of-service obligation is calculated by estimating the value of future benefits that are due to employees in current and previous periods and the value is deducted to reach the current value.

The Company makes assumptions that are used when determining key elements of costs in order to meet these future liabilities. These assumptions are made after

Consulting the company's actuarial expert and include those used to determine the cost of the normal service as well as the financing elements of liabilities. A qualified actuary calculates the commitment to the specified benefits using the amounts due by unit method.

A reassessment of specific benefit obligations consisting of actuarial profits and losses is recognized directly in the list of other comprehensive income. The Group determines the interest expense on the specific benefit obligations for the year by applying the discount rate used to measure the specific benefit obligations at the beginning of the year after taking into account any change in net benefit obligations specified during the year as a result of contributions and payments for liabilities. Net interest and other expenses related to the benefit plans specified in the consolidated of profits or losses and other comprehensive income statement are recognized.

5.10 Statutor Reserve

In line with the requirements of the Saudi Arabian Company's corporate system and the company's statutes, the company builds a regular reserve of 10% of the annual net profit until this reserve reaches 30% of the capital. The reserve is not available for distribution as dividends.

5.11 Zakat

- The company is subject to zakat in accordance with the instructions of the General Authority for Zakat and Income in Saudi Arabia and is formed a provision for the estimated zakat.
- Zakat due is calculated on the basis of 2.5% of the zakat or adjusted net income whichever is more.

5.12 Revenue generated

The revenue is measured on the basis of the corresponding that the Company expects to be entitled through the contract with the customer where the amounts collected on behalf of third parties are excluded, the revenue is recognized when control of the goods or service is transferred to the customer.

Selling goods

For the sales of goods to the market, the revenue is recognized when the control of the goods is transferred, and when the goods are shipped to the specified customer's location (delivery) the receivables are recognized by the company when the goods are delivered to the customer where it represents the point of time at which the right to collect the outstanding amounts becomes unconditional, which means that those amounts are due directly when the purchase is made. Revenue is recognized when the control of the goods is transferred, being at the point of purchase of the goods at the point of sale and the agreed value is paid immediately when the customer purchases the goods

5.12 Revenue generated (continued)

Other income

Other income is recognized in accordance with the principle of entitlement.

5.13 Expenses

Production costs and direct and indirect production-related expenses are classified as sales costs. All other expenses are classified as general and administrative expenses or sales and distribution expenses.

5.14 Foreign Exchange Translation

Transactions made during the period in foreign currencies are transferred to Saudi riyals at the prevailing transfer rates at the date of the transactions.

5. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

5.15 Transactions with related parties

Parties are related parties because of their ability to exercise control over the company or to exert significant influence or joint control over the company's financial and operational decisions. Also, companies are related

parties when the company can exert influence, or jointly control the financial and operational decisions of these parties.

Transactions with related parties usually involve the transfer of resources, services, or obligations between the parties.

6. MEASURING FAIR VALUE:

A) Fair value is the amount received when an asset is sold or paid to transfer a liability in an organized transaction between market participants on the date of measurement. Fair value measurement assumes that the transaction to sell assets or to transfer the liabilities line occurs either:

1. In the main market of asset or liabilities. Or

2. In the absence of the main market, in the most preferred market for asset or liabilities.

The fair value of the asset or liability line is measured using assumptions that market participants will use when pricing the asset line or liabilities, assuming that market participants act on the basis of their economic interest.

Measuring the fair value of non-financial assets takes into account the ability of the market participant to achieve economic advantages by using the asset line at the highest and best use of it or by selling it to another market participant who will use the asset line at the highest and best use.

All assets and liabilities for which fair value is measured or disclosed in Consolidated financial statements are classified into the fair value hierarchy, described as follows, based on the minimum input needed to measure fair value as a whole:

Level 1. (unadjusted) market prices in active markets for similar assets or liabilities.

Level 2 - valuation techniques that use the minimum inputs required to measure fair value and directly or indirectly observe

Level 3 - other valuation techniques that use the minimum inputs required to measure fair value but are not based on observable market data.

With regard to the assets and liabilities recognized in the Consolidated financial statements on a recurring basis, the company determines whether the transfers were made between levels in the sequence by reassessing the classification (based on the minimum input needed to measure the fair value as a whole) at the end of each year to prepare the financial reports.

AI KATHIRI HOLDING COMPANY
SAUDI JOINT STOCK COMPANY
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTHS PERIOD ENDED 31 March 2023
ALL AMOUNTS ARE IN SAUDI RIYALS

7. PROPERTY AND EQUIPMENT(NET):

	Lands	Buildings and constructions	Machinery and equipment	Vehicles and cars	Furniture and office equipment	Computers	Projects under progress (1/7)	Total
Book value:								
Balance at 1 January 2023	6,400,000	91,892,225	69,015,737	4,469,102	1,085,458	880,142	9,175,215	182,917,879
Additions	-	151,330	113,361	-	70,765	60,851	671,647	1,067,954
Transfers	-	5,262,467	2,218,427	-	-	-	(7,480,894)	-
Reconcilations	-	-	-	-	-	-	(300,000)	(300,000)
Balance at 31 March 2023	6,400,000	97,306,022	71,347,525	4,469,102	1,156,223	940,993	2,065,968	183,685,833
Accumulated depreciation:								
Balance at 1 January 2023	-	8,248,267	28,222,510	3,192,706	401,574	309,431	-	40,374,488
Depreciation of the Period	-	1,176,236	1,611,803	77,805	37,537	32,155	-	2,935,536
Balance at 31 March 2023	-	9,424,503	29,834,313	3,270,511	439,111	341,586	-	43,310,024
Net book value at 31 March 2023	6,400,000	87,881,519	41,513,212	1,198,591	717,112	599,407	2,065,968	140,375,809
Net book value at 31 Dec 2022	6,400,000	83,643,958	40,793,227	1,276,396	683,884	570,711	9,175,215	142,543,391

*The company has fully depreciated assets amounted by 5,166,532 SR as of 31 march 2023.

*As per the agreements between Elian for manufacturing (saubsidary company) and the saudi industrial development fund loan on 2 October 2019 to receive loan to build new factory for concrete walls production, all the assets belong to the factory such as equipments and buildings and other assets are mortgaged to the saudi industrial . development loan.

AI KATHIRI HOLDING COMPANY

SAUDI JOINT STOCK COMPANY

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE-MONTHS PERIOD ENDED 31 March 2023

ALL AMOUNTS ARE IN SAUDI RIYALS

7. PROPERTY AND EQUIPMENT(NET):

1/7. PROJECT UNDER PROGRESS :

	As at March 31 2023 (Unaudited)	As at Decmeber 31 2022 (Audited)
Ice factory	-	218,427
ware house construction	-	5,320,526
Ishbelia village	2,065,968	1,336,262
Paid for capital contracts	-	2,300,000
Total	<u>2,065,968</u>	<u>9,175,215</u>

8. RIGHT OF USE ASSETS :

	Land	Rental cars	Total
Book Value:			
Balance at 1 January 2023	1,635,018	17,443,880	19,078,898
Additions	-	7,867	7,867
Balance at 31 March 2023	<u>1,635,018</u>	<u>17,451,747</u>	<u>19,086,765</u>
Accumulated amortization:			
Balance at 1 January 2023	836,559	1,843,272	2,679,831
amortization of the Period	71,180	436,227	507,407
Balance at 31 March 2023	<u>907,739</u>	<u>2,279,499</u>	<u>3,187,238</u>
Net :			
As at 31 March 2023	<u>727,279</u>	<u>15,172,248</u>	<u>15,899,527</u>
As at 31 December 2022	<u>798,459</u>	<u>15,600,608</u>	<u>16,399,067</u>

The balance of the obligation resulting from the right of use was as follows:

	As at March 31 2023 (Unaudited)	As at Decmeber 31 2022 (Audited)
Lease contracts obligation - rented cars	8,516,135	9,711,193
Lease contracts obligation - land	839,520	839,520
Total	<u>9,355,655</u>	<u>10,550,713</u>

The financing lease obligations were classified as follows:

	As at March 31 2023 (Unaudited)	As at Decmeber 31 2022 (Audited)
Current portion	4,842,181	5,269,134
Non-current portion	<u>4,513,474</u>	<u>5,281,579</u>

AI KATHIRI HOLDING COMPANY

SAUDI JOINT STOCK COMPANY

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDIT
FOR THE THREE-MONTHS PERIOD ENDED 31 March 2023**

ALL AMOUNTS ARE IN SAUDI RIYALS

9. TRADE RECEIVABLES , NET:

	As at March 31	As at Decmeber 31
	2023	2022
	(Unaudited)	(Audited)
Trade receivables	32,351,165	31,504,231
Less: Provision for Expected credit losses	(5,131,260)	(5,131,260)
Net	27,219,905	26,372,971

The movement of the provision was as follows:

	As at March 31	As at Decmeber 31
	2023	2022
	(Unaudited)	(Audited)
Beginning balance	5,131,260	8,912,566
Reversed provision	-	(3,781,306)
Ending balance	5,131,260	5,131,260

10. INVENTORY:

	As at March 31	As at Decmeber 31
	2023	2022
	(Unaudited)	(Audited)
Raw material	11,740,605	9,037,141
Finished goods	127,227	175,938
Total	11,867,832	9,213,079

AI KATHIRI HOLDING COMPANY
SAUDI JOINT STOCK COMPANY
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTHS PERIOD ENDED 31 March 2023
ALL AMOUNTS ARE IN SAUDI RIYALS

NOTE 11. TRANSACTIONS WITH RELATED PARTIES :

Al Kathiri Holding Company's dealings with subsidiaries:

	Nature of transactions	Type of transactions	Balance 1 January (Audited)	Period movement		Balance at 31 March (Unaudited)
				Debit	Credit	
Alyan Industry Company	owns 99%	inter-company transactions	30,682,848	5,965,599	7,789,658	28,858,789
Msandh alemdad company	owns 100%	inter-company transactions	89,093,985	13,478,701	15,643,438	86,929,248
Total			119,776,833	19,444,300	23,433,096	115,788,037

Transactions between group's company:

			Balance 1 January (audited)		Period movement		Balance at 31 March (Unaudited)	
			Debit	Credit	Debit	Credit	Debit	Credit
Alyan Industry Company with Msandh alemdad company	Al-kathiri holding Co. own 99% of Alyan Industry Co.	Purchases			-	1,370,029		69,634,838
		Sales	-	73,212,447	987,503	592,482	-	
		inter-company transactions			4,552,617			
Total			-	73,212,447	5,540,120	1,962,511	-	69,634,838
Msandh alemdad company with Alyan Industry Company	Al-kathiri holding Co. own 100% of Msandh alemdad Co.	Sales			1,370,029	-		
		Purchases	73,212,447	-	-	987,503	69,634,838	-
		inter-company transactions			518,266	4,478,401		
Total			73,212,447	-	1,888,295	5,465,904	69,634,838	-

Benefits received by members of the board and committees who occupy executive positions:

			As at March 31		As at December 31	
			2023	2022	2023	2022
			(Unaudited)	(Unaudited)	(Audited)	(Audited)
Meshaal AL-kathiri	Shareholder / Managing Director of AL-kathiri holding Co. board / CEO/Member in Alyan	Salaries	82,101		328,337	
		Provision for end of service	7,500		185,305	
		Board of director bonus	-		96,000	
			89,601		609,642	
Adel AL-kathiri	Shareholder / Managing Director of Alyan board/Member in AL-kathiri holding Co.	Board of director bonus	-		96,000	
			-		96,000	

AI KATHIRI HOLDING COMPANY
SAUDI JOINT STOCK COMPANY
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTHS PERIOD ENDED 31 March 2023
ALL AMOUNTS ARE IN SAUDI RIYALS

12. OTHER DEBIT BALANCES:

	As at March 31	As at Decmeber 31
	2023	2022
	(Unaudited)	(Audited)
Accrued revenue	1,600,000	-
Advances and loans	244,835	200,802
Prepaid expenses	1,627,338	1,852,662
Letters of guarantee	478,120	478,120
Letters of credit	-	135,000
Advanced payments for suppliers	1,907,956	1,162,701
Total	5,858,249	3,829,285

13. CASH AND CASH EQUIVALENTS

	As at March 31	As at Decmeber 31
	2023	2022
	(Unaudited)	(Audited)
Petty cash	51,400	
Bank	3,333,602	2,720,350
Total	3,385,002	2,720,350

14.SHARE CAPITAL:

The extraordinary general assembly meeting held on 13/11/ 1442H corresponding to 23/6/2021 was approved on increase the company capital from 90,217,600 riyals to 113,022,000 riyals (note 1-c).

Article (7) has been modified From the company basic system where the company's capital has been set at an amount (113,022,000) riyals divided into (11,302,200) shares, Each one of them worth (10) riyals, all of them are ordinary shares.

AI KATHIRI HOLDING COMPANY
SAUDI JOINT STOCK COMPANY
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTHS PERIOD ENDED 31 March 2023
ALL AMOUNTS ARE IN SAUDI RIYALS

15. SAUDI INDUSTRIAL DEVELOPMENT FUND LOAN:

Ilyan Industry company (subsidiary company) signed an agreement with the Saudi Industrial Development Fund on 2 Oct. 2019 in the amount of 23,200,000 Saudi riyals, from which an amount of 1,160,000 Saudi riyals will be deducted in exchange for studies and the cost of industrial evaluation. The company has obtained the full amount, which includes the costs of studies and evaluation, in full during 2022, and the loan is paid in 12 installments, starting from 16 May 2022 and ending on 16 Sep. 2027.

The movement for SIDF loan was as follow:

	<u>As at March 31</u> <u>2023</u> <u>(Unaudited)</u>	<u>As at Decmeber 31</u> <u>2022</u> <u>(Audited)</u>
Balance at the beginning of the period /year	22,200,000	3,844,121
Adjustment	-	563,879
Recieved	-	18,792,000
Paid	-	(1,000,000)
Less: un-amortization interest	(811,015)	(880,812)
Balance at the ending of the period /year	<u>21,388,985</u>	<u>21,319,188</u>

The loan was classified as follows:

	<u>As at March 31</u> <u>2023</u> <u>(Unaudited)</u>	<u>As at Decmeber 31</u> <u>2022</u> <u>(Audited)</u>
Current portion of the Industrial Development Fund loan	1,806,580	1,736,783
Non-current portion of the Industrial Development Fund loan	19,582,405	19,582,405
Total	<u>21,388,985</u>	<u>21,319,188</u>

16. END OF SERVICE PROVISION:

	<u>As at March 31</u> <u>2023</u> <u>(Unaudited)</u>	<u>As at Decmeber 31</u> <u>2022</u> <u>(Audited)</u>
Balance at the beginning of the period /year	2,369,139	1,519,202
Charged	343,645	625,577
Loss for actuarial revaluation of employee benefits	-	259,044
Paid	(148,621)	(34,684)
Balance at the ending of the period /year	<u>2,564,163</u>	<u>2,369,139</u>

AI KATHIRI HOLDING COMPANY
SAUDI JOINT STOCK COMPANY
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTHS PERIOD ENDED 31 March 2023
ALL AMOUNTS ARE IN SAUDI RIYALS

17. LOANS AND BANK FACILITIES:

The company signed several agreements with local banks with a credit ceiling of 16,521,000 Saudi riyals, guaranteed by promissory notes in the amount of 17,269,000 Saudi riyals, and personal guarantees from the shareholder and managing director, Mr. Meshaal Al Kathiri, for the facility ceiling.

Ilyan Industry Company (closed joint stock) signed a facility agreement with Riyadh Bank on 28 July.2021 with a credit ceiling of 6,000,000 riyals and a promissory note guarantee of 14,200,000 riyals. The agreement was amended on 12/12/2022 by increasing the credit ceiling by 2,000,000 riyals, with a guarantee of a promissory note of 2,407,000 Saudi riyals guranteed by One of the shareholders of Al Kathiri Holding Company and holds the position of Managing Director, so that the total credit ceiling becomes 8,000,000 riyals, and the agreement ends on 24 Jun. 2024.

Mosandt alemdad Company (a limited liability company) signed a facility agreement with Riyadh Bank on 18 Aug. 2022 with a credit ceiling of 4,000,000 Saudi riyals, with a guarantee of a promissory note in the amount of 4,000,000 Saudi riyals and guarantees for a fine. One of the shareholders of Al Kathiri Holding Company, "the company that owns 100%," and holds the position of Managing Director, and the agreement expires on 18 Aug.2025.

all faciliies agreements are compliant with islamoc sharia'a

The balance of the facilities was as follows:

	Company's name	As at March 31	As at Decmeber 31
		2023	2022
		(Unaudited)	(Audited)
Short term loans	Al Kathiri Holding	12,284,396	13,902,292
Short term loans	Alian Industry	3,700,000	2,085,000
Total		15,984,396	15,987,292

18. OTHER CREDIT BALANCES :

	As at March 31	As at Decmeber 31
	2023	2022
	(Unaudited)	(Audited)
Accrued expenses	1,409,703	1,304,875
VAT	177,999	54,321
Advance payments from clients	1,020,130	427,977
Others	46,000	0
Total	2,653,832	1,787,173

AI KATHIRI HOLDING COMPANY
SAUDI JOINT STOCK COMPANY
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTHS PERIOD ENDED 31 March 2023
ALL AMOUNTS ARE IN SAUDI RIYALS

19. ZAKAT:

The movement in zakat provision was as follows:

	<u>As at March 31</u>	<u>As at Decemeber 31</u>
	<u>2023</u>	<u>2022</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Balance at the beginning of the period /year	777,991	968,944
provided	194,498	777,991
Paid	(777,991)	(968,944)
Balance at the ending of the period /year	<u>194,498</u>	<u>777,991</u>

During the year 2020 AD, the Zakat, Tax and Customs Authority approved the company's request to provide unified accounts for the company and its subsidiaries starting from 2020 AD, provided that an independent information declaration is submitted for each subsidiary separately. the company distributes the zakat obligation ti the subsidiaries separately according to the share holding percentage of each comapny.

The company doesn't have any zakat assessments or suspensions that may result in a potential zakat obligation.

The company obtained a final Zakat certificate for the year 2022.

Zakat is calculated at 2.5% of the adjusted net profit or the zakat base, whichever is greater.

20. REVENUE:

	<u>For thr three monthes period ended 31 March</u>	<u>For thr three monthes period ended 31 March</u>
	<u>2023</u>	<u>2022</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Concrete sales	21,016,531	17,433,926
Special projects	5,343,972	1,482,754
Cement sales	4,050,740	6,357,543
Concrete wall sales	1,703,256	-
Total	<u>32,114,499</u>	<u>25,274,223</u>

21. COST OF REVENUE:

	<u>For thr three monthes period ended 31 March</u>	<u>For thr three monthes period ended 31 March</u>
	<u>2023</u>	<u>2022</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Raw materials	17,313,763	15,737,671
Salaries	3,080,702	3,094,722
Another employee benefits	1,906,824	2,122,208
Other operating expenses	765,354	0
Total	<u>23,066,643</u>	<u>20,954,601</u>

AI KATHIRI HOLDING COMPANY
SAUDI JOINT STOCK COMPANY
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTHS PERIOD ENDED 31 March 2023
ALL AMOUNTS ARE IN SAUDI RIYALS

22. GENERAL AND ADMINISTRATIVE EXPENSES:

	For thr three months period ended 31 March	
	2023 (Unaudited)	2022 (Audited)
Salaries	1,256,217	1,399,540
Another employee benefits	322,747	-
Capital Market Authority expenses	159,165	69,076
Professional and consultants fees	423,105	296,250
Depreciation expnses	-	71,181
Others	179,447	357,437
Total	<u>2,340,681</u>	<u>2,193,484</u>

23. EARNING (LOSS) PER SHARE:

The calculation of basic / diluted earnings per share is based on the profit (loss) attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding. The earnings (loss) per share was calculated as of March 31, 2023 and March 31, 2022 based on the weighted average number of shares outstanding at the end of the period the adjusted earnings (loss) per share is the same as the basic earnings (loss) per share as the group has no convertible securities nor Reduced financial instruments to exercise.

24. CONTINGENT LIABILITIES:

contingent liabilities resulting from letters of guarantee provided by Mosanda Alemdad Company (limited liability company) one of the subsidiaries on **March 31, 2023 amounted to 4,000,000 Saudi riyals** (December 31,2022: 4,000,000 Saudi riyals), while covered amount for letters of guarantee provided on **March 31, 2023 amounted to 400,000 Saudi riyals** (December 31,2022: 400,000 Saudi riyals)

There are letters of guarantee drawn in the name of Al Kathiri Holding Company for Mosanda Alemdad Company (limited liability company) "one of the subsidiaries" as on **March 31, 2023 in the amount of 520,800 Saudi riyals** (December 31,2022: 520,800 Saudi riyals), and the covered amount on **March 31, 2023 amounted by 78,120 Saudi riyals** (31 December 2022: 78,120 Saudi riyal)

25. :subsequent events

It was announced on Tadawul that Skuk Alkathiri starting on trading , the initial issuance series, will start on Monday, April 10, 2023, with the Tadawul code 5015 and the international code SA15P00IEBJ5, by issuing skuk with a value of 100,000,000 Saudi riyals.and The number of skuk is 100,000 , with par value amounted by 1,000 Saudi riyals per skuk, with a fixed annual return of 8.50%, paid on a semi-annual basis, and its calculation starts from the settlement date on 09/08/1444H corresponding to (30/03/2023)

The Extraordinary General Assembly, held on Ramadan 21, 1444 AH, corresponding to April 12, 2023 AD, agreed to amend the Par value of the share from 10 saudi riyal to 0.5 saudi ryal , so that the number of the company's shares becomes 226,044,000 shares instead of 11,302,200 shares, and the articles of association the articles of association related to that.

26. RISK MANAGEMENT:

Credit risk

Credit risk represents the inability of a counterparty to meet its obligations, causing the other party to incur a financial loss. The Company is committed to managing customer credit risk by setting credit limits for each customer and monitoring existing receivables.

Interest rate risk

Interest rate risk relates to changes in current interest rates when negotiating renegotiation of financial instruments that are affected by current financial conditions in the domestic and global markets. The Company did not have assets of significant value bearing interest during the current and comparative periods.

Liquidity risk

Liquidity risk represents the difficulties faced by the Company in providing the necessary funds to meet the financial instrument commitments. Liquidity risk arises from the inability to sell a financial asset quickly in an amount equal to its fair value. The Company manages liquidity risks by maintaining cash balances with banks and ensuring that adequate facilities are available, if necessary, to cover their short-term liabilities on an ongoing basis.

Currency risk

Currency risk arising from fluctuations in the value of financial instruments is the result of reserve changes in exchange rates. The Corporation is subject to fluctuations in foreign exchange rates during its normal course of business.

27. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS:

These condensed consolidated interim financial statements were approved by the Company's Board of Directors on MAY 18,2023 corresponding to Shawal 28,1444