

**AI KATHIRI HOLDING COMPANY
(SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS (UNAUDITED)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2023
TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT**

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

To the **Shareholders of ALKATHIRI HOLDING COMPANY**
(A Saudi Joint Stock Company)

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of **ALKATHIRI HOLDING COMPANY** (a Saudi Joint Stock Company) "the company" and its subsidiaries collectively referred to together as the "Group", as of June 30, 2023, and the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month periods ended June 30, 2023, interim condensed consolidated statements of changes in shareholders' equity and interim condensed consolidated cash flows for the six-month periods then ended, and a summary of significant accounting policies and other explanatory notes.

The company's 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 condensed consolidated 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 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 of June 30, 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.

For Al-Kharashi & Co


Abdulrahman S. Al Msned
License No. (456)



Riyadh:
August 14, 2023
Muharram 27, 1445

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

		As at 30 June	As at Decmeber 31
		2023	2022
	Note	(Unaudited)	(Audited)
<u>ASSETS</u>			
NON-CURRENT ASSETS :			
Property, machinery and equipment (Net)	7	137,693,787	142,543,391
Right of use assets	8	15,392,050	16,399,067
Total non-current assets		153,085,837	158,942,458
CURRENT ASSETS :			
Trade receivables (Net)	9	28,693,723	26,372,971
Raw material inventory	10	18,923,303	10,024,494
Other debit balances	12	9,584,214	3,829,285
Cash and Cash Equivalents	13	95,544,986	2,720,350
Total current assets		152,746,226	42,947,100
Total assets		305,832,063	201,889,558
<u>SHAREHOLDERS' EQUITY AND LIABILITIES</u>			
SHAREHOLDERS' EQUITY:			
Share Capital		113,022,000	113,022,000
Share premium		7,559,083	7,559,083
Statutory Reserve		4,927,354	4,927,354
Retained earnings		11,909,599	9,706,370
Equity belonging to the parent company		137,418,036	135,214,807
Non-controlling equity		256,271	235,192
Total shareholders' equity		137,674,307	135,449,999
<u>LIABILITIES</u>			
NON-CURRENT LIABILITIES:			
Skouk with amortized cost	14	100,000,000	
Non-current portion of Saudi Industrial Development Fund loan	15	17,714,014	19,582,405
Non-current portion of Lease liabilities	16	3,769,818	5,281,579
Provision for removal and rehabilitation		260,414	256,420
Employees defined benefit obligations	17	2,771,412	2,369,139
Total non-current liabilities		124,515,658	27,489,543
CURRENT LIABILITIES:			
Trade payables		13,681,014	13,391,643
Short term loans	18	17,799,947	15,987,292
Current portion of Saudi Industrial Development Fund loan	15	2,698,237	1,736,783
Current portion of Lease liabilities	16	4,600,814	5,269,134
Other credit balances	19	4,473,090	1,787,173
zakat	20	388,996	777,991
Total current liabilities		43,642,098	38,950,016
Total liabilities		168,157,756	66,439,559
Total Shareholders' Equity And Liabilities		305,832,063	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
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
ALL AMOUNTS ARE IN SAUDI RIYALS

	Notes	For the period from April 1 to June 30		For the period from January 1 to June 30	
		2023	2022	2023	2022
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	21	32,666,863	20,731,309	64,781,362	46,005,532
Less: Cost of revenue	22	(21,910,622)	(18,093,126)	(44,977,265)	(39,047,727)
Gross profit		10,756,241	2,638,183	19,804,097	6,957,805
:Less					
General and administrative expenses	23	(4,360,794)	(1,750,690)	(6,701,475)	(3,801,812)
Selling and Marketing expenses		(454,078)	(480,824)	(1,276,265)	(1,060,229)
Depreciation of Property and equipment	7,8	(3,468,496)	(3,231,252)	(6,911,439)	(6,520,411)
(Loss)\ profit From main operations		2,472,873	(2,824,583)	4,914,918	(4,424,647)
Finance cost		(2,583,602)	(365,939)	(3,298,098)	(649,949)
Other Revenue	24	971,396	(40,239)	996,484	13,987
(Loss)\ profit before Zakat		860,667	(3,230,761)	2,613,304	(5,060,609)
Less : Estimated Zakat	20	(194,498)	(242,236)	(388,996)	(484,472)
Net (loss)\ profit for the period		666,169	(3,472,997)	2,224,308	(5,545,081)
Other comprehensive income (loss)		-	-	-	-
Total Comprehensive Income (loss) for the period		666,169	(3,472,997)	2,224,308	(5,545,081)
Net (loss)\ profit attributable to:					
Company shareholders		639,816	(3,461,893)	2,203,229	(5,522,738)
Non-controlling equity		26,353	(11,104)	21,079	(22,343)
Total comprehensive income (loss) attributable to:					
Company shareholders		639,816	(3,461,893)	2,203,229	(5,522,738)
Non-controlling equity		26,353	(11,104)	21,079	(22,343)
BASIC AND DILUTED EARNINGS PER SHARE FOR THE YEAR					
Net profit (loss) attributable to company shareholders	25	0.003	(0.02)	0.01	(0.02)
Total comprehensive income (loss) attributable to company shareholders	25	0.003	(0.02)	0.01	(0.02)
Weighted average number of shares		226,044,000	226,044,000	226,044,000	226,044,000

Finance Manager

Chief Executive Officer

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

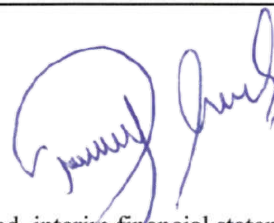
AI KATHIRI HOLDING COMPANY
SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
ALL AMOUNTS ARE IN SAUDI RIYALS

	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	-	-	-	2,203,229	2,203,229	21,079	2,224,308
At 30 June 2023 " Unaudited"	113,022,000	7,559,083	4,927,354	11,909,599	137,418,036	256,271	137,674,307
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 loss for the period	-	-	-	(5,522,738)	(5,522,738)	(22,343)	(5,545,081)
At 30 june 2022 " Unaudited"	113,022,000	7,559,083	4,756,378	2,902,021	128,239,482	150,655	128,390,137

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 the six months period ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
<u>Cash Flows From Operations Activities:</u>		
Net profit (loss) for the period before tax	2,613,304	(5,060,609)
<u>Adjustments to non-cash transaction</u>		
Depreciation	5,896,555	6,378,049
Amortization of right to use assets	1,014,884	142,362
Expected credit loss Expense	1,200,000	-
Provision employees defined benfit obligations	619,847	161,221
interest for removal and rehabilitation provision	3,994	-
	11,348,584	1,621,023
<u>Changes In working capital:</u>		
Trade receivables	(3,520,752)	(2,727,442)
Inventory	(8,898,809)	(1,323,324)
Other debit balances	(5,754,929)	(4,995,359)
Trade payables	289,371	2,040,283
Related parties	-	148,162
Other credit balances	2,685,917	521,813
Provision for Zakat Paid	(777,991)	(968,944)
Provision for end of service Paid	(217,574)	-
Net cash flow used in operating activities	(4,846,183)	(5,683,788)
<u>CASH FLOWS FROM INVESTING ACTIVITES:</u>		
Additions of property and equipment	(592,762)	(6,678,025)
Projects under constructions	(454,189)	(4,920,980)
Right of use assets	(7,867)	-
Net cash flow used in investing activities	(1,054,818)	(11,599,005)
<u>CASH FLOWS FROM FINANCING ACTIVITES:</u>		
Skouk issued	100,000,000	
Short term loans	1,812,655	(13,346,331)
Saudi Industrial Development Fund loan	(906,937)	16,964,583
Lease obligation	(2,180,081)	6,139,419
Net cash flow generated from financing activities	98,725,637	9,757,671
Net change in cash and cash equivalents	92,824,636	(7,525,122)
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	95,544,986	2,159,095

Finance Manager

Chief Executive Officer

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

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. The Extraordinary General Assembly, held on 9/21/1444 AH corresponding to 4/12/2023 AD, agreed to adjust the par value of one share at 50 halalas (0.5 Saudi riyals) instead of 10 Saudi riyals, the number of shares became 226,044,000 shares instead of 11,302,200 shares.

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 30 June 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 Six months period ended June 30, 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):

5-1 Financial assets - recognition and measurement (continued)

Decrease in the value of financial assets

At the end of the fiscal year, an assessment is made to ensure that there is no objective evidence of a decrease in the value of any financial asset measured in cost or amortized cost. If there is such evidence of depreciation, the loss of depreciation is recognized by the profit or loss and other comprehensive income statement for that year. The value of the decline in value is determined as follows:

A) For fair-value assets, the depreciation represents the difference between cost and fair value, minus any loss of value previously demonstrated in the consolidated statement of profit or loss and other comprehensive income.

B) For cost-included assets, the depreciation represents the difference between the amount listed and the present value of future cash flows discounted by the current market rate of return from a similar financial asset line.

C) For assets listed at the amortized cost, the decrease in value represents the difference between the amount listed and the present value of future cash flows discounted by the original actual commission rate.

5.2 Financial obligations - recognition and measurement

Financial obligations are classified according to contractual arrangements and include creditors, amounts payable and loans. All financial obligations are initially recognized at fair value, after the first proof of direct transaction costs are proven based on the cost extinguished using the actual commission rate over the life of the instrument and are included in the consolidated statement of profit or loss and other comprehensive income

Loans are classified as current liabilities unless the company has an unconditional right to postpone payment for at least 12 months after the date of the financial position statement.

5.3 Creditors and amounts payable

Commercial creditors are reimbursed for future payments for goods and services received, whether or not they are invoiced by suppliers.

5.4 Cash and cash equivalents

For the purposes of preparing the consolidated cash flow statement, cash and equivalent cash consists of the Fund, banks.

5.5 Inventory

The inventory of raw materials and spare parts is assessed on the basis of cost and the moving weighted average. The inventory is reduced by the value of stagnant and slow-moving items according to management estimates and inventory movement.

5.6 Property, machinery and equipment

Property, machinery and equipment appear at cost minus accumulated depreciation and any decrease in value. The cost is consumed minus the residual estimated value of property, machinery and equipment (excluding land where it is not consumed) in a fixed-installment manner over its projected production life span using the following annual depreciation ratios:

• Buildings and constructions	%15
• machinery and equipment	%10
• Vehicles and cars	%20
• Furniture	%15
• computers and office equipment	%15

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.

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 Skouk with amortized cost

The Company classifies Skouk at amortized cost using the effective interest rate over the life of the instrument and is included in the statement of profit or loss and other comprehensive income.

5.11 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.

5.12 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.

5.13 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.

Other income

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

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

5.14 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.

5.15 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.

5.16 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.

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7. PROPERTY AND EQUIPMENT(NET):

	Lands	Buildings and constructions	Machinery and equipment	Vehicles and cars	Computers	Furniture and office equipment	Projects under progress (1/7)	Total
<u>Book value:</u>								
Balance at 1 January 2023	6,400,000	91,892,225	69,015,737	4,469,102	880,142	1,085,458	9,175,215	182,917,879
Additions	-	151,330	249,514	-	81,550	110,368	454,189	1,046,951
Transfers		5,262,466	2,218,427	-	-	-	(7,480,893)	-
Balance at 30 june 2023	6,400,000	97,306,021	71,483,678	4,469,102	961,692	1,195,826	2,148,511	183,964,830
<u>Accumulated depreciation:</u>								
Balance at 1 January 2023		8,248,267	28,197,248	3,217,968	309,431	401,574	-	40,374,488
Depreciation of the Period		2,371,633	3,228,400	151,040	66,949	78,533	-	5,896,555
Balance at 30 june 2023	-	10,619,900	31,425,648	3,369,008	376,380	480,107	-	46,271,043
Net book value at 30 june 2023	6,400,000	86,686,121	40,058,030	1,100,094	585,312	715,719	2,148,511	137,693,787
Net book value at 31 Dec 2022	6,400,000	83,643,958	40,818,489	1,251,134	570,711	683,884	9,175,215	142,543,391

*The company has fully depreciated assets amounted by 5,847,872 SR as of 30 june 2023.

*As per the agreements between (ALIAN INDUSTRY COMPANY) (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.

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7. PROPERTY AND EQUIPMENT(NET):

1/7. PROJECT UNDER PROGRESS :

	<u>As at june 30</u> <u>2023</u> <u>(Unaudited)</u>	<u>As at Decmeber 31</u> <u>2022</u> <u>(Audited)</u>
Ice factory	-	218,427
ware house construction	-	5,320,526
Ishbelia village	2,148,511	1,336,262
Paid for capital contracts	-	2,300,000
Total	<u>2,148,511</u>	<u>9,175,215</u>

8. RIGHT OF USE ASSETS :

	<u>Land</u>	<u>Rental cars</u>	<u>Total</u>
Book Value:			
Balance at 1 January 2023	1,635,018	17,443,880	19,078,898
Additions	-	7,867	7,867
Balance at 30 june 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	142,362	872,522	1,014,884
Balance at 30 june 2023	<u>978,921</u>	<u>2,715,794</u>	<u>3,694,715</u>
Net :			
As at 30 june 2023	<u>656,097</u>	<u>14,735,953</u>	<u>15,392,050</u>
As at 31 December 2022	<u>798,459</u>	<u>15,600,608</u>	<u>16,399,067</u>

9. TRADE RECEIVABLES , NET:

	<u>As at june 30</u> <u>2023</u> <u>(Unaudited)</u>	<u>As at Decmeber 31</u> <u>2022</u> <u>(Audited)</u>
Trade receivables	35,024,983	31,504,231
Less: Provision for Expected credit losses	<u>(6,331,260)</u>	<u>(5,131,260)</u>
Net	<u>28,693,723</u>	<u>26,372,971</u>

The movement of the provision was as follows:

	<u>As at june 30</u> <u>2023</u> <u>(Unaudited)</u>	<u>As at Decmeber 31</u> <u>2022</u> <u>(Audited)</u>
Beginning balance	5,131,260	8,912,566
Reversed provision	1,200,000	(3,781,306)
Ending balance	<u>6,331,260</u>	<u>5,131,260</u>

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10. INVENTORY:

	As at june 30 2023 (Unaudited)	As at Decmeber 31 2022 (Audited)
Raw material	17,415,794	9,213,079
Spare parts	1,135,499	811,415
Finished goods	372,010	
Total	18,923,303	10,024,494

11. OTHER DEBIT BALANCES:

	As at june 30 2023 (Unaudited)	As at Decmeber 31 2022 (Audited)
Accrued revenue	2,551,778	-
Advances and loans	228,876	200,802
Prepaid expenses	3,406,296	1,852,662
Letters of guarantee	560,620	478,120
Letters of credit	-	135,000
Advanced payments for suppliers	2,836,644	1,162,701
Total	9,584,214	3,829,285

12. CASH AND CASH EQUIVALENTS

	As at june 30 2023 (Unaudited)	As at Decmeber 31 2022 (Audited)
Short term deposits	85,000,000	
Bank	10,524,491	2,720,350
Petty cash	20,495	
Total	95,544,986	2,720,350

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

			As at june 30 2023 (Unaudited)	As at Decmeber 31 2022 (Audited)
Meshaal AL-kathiri	Shareholder / Managing Director of AL-kathiri holding Co. board / CEO/Member in Alian board	Salaries		
		Provision for end of service		
		Board of director bonus	164,202	328,337
			15,000	185,305
			-	96,000
Adel AL-kathiri	Shareholder / Managing Director of Alian board/Member in AL- kathiri holding Co. board	Board of director bonus	179,202	609,642
			-	96,000
			-	96,000

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14: Skouk with amortized cost

SKOUK ALKATHIRI "special purpose entity , and affiliated to ALKATHIRI HOLDING COMPANY issued 100,000 bonds with a value of 100 million saudi riyals , with a return rate to the skuouk holder of 8.5% annually ,due on march 30 and september 30 of each year,and the balance as of june 30, 2023 was as follows:

	<u>As at june 30</u>	<u>As at Decmeber 31</u>
	<u>2023</u>	<u>2022</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Sokouk value	100,000,000	-
	<u>100,000,000</u>	<u>-</u>

15. SAUDI INDUSTRIAL DEVELOPMENT FUND LOAN:

Alian 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 Seb. 2027.

The movement for SIDF loan was as follow:

	<u>As at june 30</u>	<u>As at Decmeber 31</u>
	<u>2023</u>	<u>2022</u>
	<u>(Unaudited)</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)	(1,000,000)
Less: un-amortization interest	(787,749)	(880,812)
Balance at the ending of the period /year	<u>20,412,251</u>	<u>21,319,188</u>

The loan was classified as follows:

	<u>As at june 30</u>	<u>As at Decmeber 31</u>
	<u>2023</u>	<u>2022</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Current portion of the Industrial Development Fund loan	2,698,237	1,736,783
Non-current portion of the Industrial Development Fund loan	17,714,014	19,582,405
Total	<u>20,412,251</u>	<u>21,319,188</u>

16. Lease contracts obligations:

	<u>As at june 30</u>	<u>As at Decmeber 31</u>
	<u>2023</u>	<u>2022</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Lease contracts obligation - rented cars	7,514,321	9,711,193
Lease contracts obligation - land	856,311	839,520
Total	<u>8,370,632</u>	<u>10,550,713</u>

The financing lease obligations were classified as follows:

	<u>As at june 30</u>	<u>As at Decmeber 31</u>
	<u>2023</u>	<u>2022</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Current portion	4,600,814	5,269,134
Non-current portion	3,769,818	5,281,579
	<u>8,370,632</u>	<u>10,550,713</u>

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17. EMPLOYEES BENEFITS OBLIGATIONS:

	2023	2022
	(Unaudited)	(Audited)
Balance at the beginning of the period /year	2,369,139	1,519,202
Charged	619,847	625,577
Loss for actuarial revaluation of employee benefits	-	259,044
Paid	(217,574)	(34,684)
Balance at the ending of the period /year	<u>2,771,412</u>	<u>2,369,139</u>

18. 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.

Alyan 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.

Msandh 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 faciilies agreements are compliant with islamoc sharia'a

The balance of the facilities was as follows:

		As at june 30	As at Decmeber 31
	Company's name	2023	2022
		(Unaudited)	(Audited)
Short term loans	Al Kathiri Holding	12,399,947	13,902,292
Short term loans	Alian Industry	5,400,000	2,085,000
Total		<u>17,799,947</u>	<u>15,987,292</u>

19. OTHER CREDIT BALANCES :

	As at june 30	As at Decmeber 31
	2023	2022
	(Unaudited)	(Audited)
Accrued interest	2,077,778	-
Accrued expenses	560,056	1,304,875
VAT	427,050	54,321
Advance payments from clients	1,289,385	427,977
Others	118,821	-
Total	<u>4,473,090</u>	<u>1,787,173</u>

AI KATHIRI HOLDING COMPANY**SAUDI JOINT STOCK COMPANY****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)****FOR THE SIX-MONTHS PERIOD ENDED 30 june 2023****ALL AMOUNTS ARE IN SAUDI RIYALS****20. ZAKAT:**

The movement in zakat provision was as follows:

	<u>As at june 30</u>	<u>As at Decmeber 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
Zakat for the period	388,996	777,991
Paid	(777,991)	(968,944)
Balance at the ending of the period /year	<u>388,996</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.

21. REVENUE:

	<u>For the six months period ended 30 june</u>	<u>2022</u>
	<u>2023</u>	<u>(Unaudited)</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Concrete sales	42,923,708	31,256,591
Cement sales	5,464,948	10,813,372
Special projects	5,414,534	1,906,591
Sand and rocks sales	6,720,000	0
Concrete wall sales	4,258,172	2,028,978
Total	<u>64,781,362</u>	<u>46,005,532</u>

22. COST OF REVENUE:

	<u>For the six months period ended 30 june</u>	<u>2022</u>
	<u>2023</u>	<u>(Unaudited)</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Raw materials	33,246,680	28,601,731
Salaries	7,308,907	6,497,116
Other operating expenses	4,421,678	3,948,880
Total	<u>44,977,265</u>	<u>39,047,727</u>

AI KATHIRI HOLDING COMPANY**SAUDI JOINT STOCK COMPANY****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)****FOR THE SIX-MONTHS PERIOD ENDED 30 june 2023****ALL AMOUNTS ARE IN SAUDI RIYALS****23. GENERAL AND ADMINISTRATIVE EXPENSES:**

	For the six months period ended	
	30 june	
	2023	2022
	(Unaudited)	(Unaudited)
Salaries	3,123,310	2,776,228
Expense of Expected credit loss	1,200,000	-
Capital Market Authority expenses	198,448	-
Professional and consultants fees	1,609,117	386,850
Governmental fees	74,632	-
Others	495,968	638,734
Total	6,701,475	3,801,812

24. Other revenues :

	For the six months period ended	
	30 june	
	2023	2022
	(Unaudited)	(Unaudited)
Deposits returns	951,778	-
Others	44,706	13,987
	996,484	13,987

25. EARNING (LOSS) PER SHARE:

The earnings per share and the weighted average number of shares for the six-month period ending on June 30, 2022 have been adjusted to align with the weighted average number of new shares after its increase during the year 2023. The calculation of the basic / diluted earnings per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding. The earnings per share for the six months ending on June 30, 2023 AD were calculated on the basis of the weighted average number of outstanding shares at the end of the period. The diluted earnings per share is the same as the basic earnings per share since the company has no transferable securities and no diluted financial instruments to exercise. The weighted average number of shares on June 30, 2022 AD has been retroactively adjusted to be in line with the weighted average number of new shares after its increase during the year 2023 AD (Note 1) as required in accordance with International Accounting Standard No. 33 (Earnings per Share).

26. CONTINGENT LIABILITIES:

contingent liabilities resulting from letters of guarantee provided by Msandh Alemdad Company (limited liability company) one of the subsidiaries on **June 30, 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 **June 30, 2023 amounted to 400,000 Saudi riyals** (December 31,2022: 400,000 Saudi riyals)

Letters of guarantee drawn in the name of Al Kathiri Holding Company for Msandh Alemdad Company (limited liability company) "one of the subsidiaries" as on **June 30, 2023 in the amount of 520,800 Saudi riyals** (December 31,2022: 520,800 Saudi riyals), and the covered amount on **June 30, 2023 amounted by 78,120 Saudi riyals** (31 December 2022: 78,120 Saudi riyal)

On June 13, 2023, a letter of guarantee was signed for Mesandh Alemdad (a limited liability company), one of the subsidiaries, and Riyadh Bank, amounted by 550,000 Saudi riyals. The letter of guarantee was insured on June 30, 2023, amounting to 82,500 Saudi riyals.

27. 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.

28. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS:

These condensed consolidated interim financial statements were approved by the Company's Board of Directors on August 10, 2023 G corresponding to Muharram 23, 1445 H