

**AL KATHIRI HOLDING COMPANY
(SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS (UNAUDITED) TOGETHER WITH
INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2020**

**AI KATHIRI HOLDING COMPANY
SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)
TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2020**

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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 **AlKathiri Holding Company** (A Saudi joint stock company) (the "Company") as at 30 JUNE, 2020 and the condensed consolidated statements of profit or loss and comprehensive income, statements of changes of shareholders' equity and cash flows for the six- months period then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard No. 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.

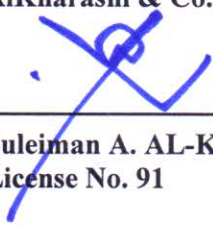
Scope of Review:

We conducted our review in accordance with the international standard on review engagements 2410, "Review of Interim Financial Information Performed by the Independents Auditor of the Entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries primarily to persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing as are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Qualified Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard No. 34 endorsed in the Kingdom of Saudi Arabia.

AlKharashi & Co.


Suleiman A. AL-Kharashi
License No. 91



Riyadh at :

Date: 23 Dhul-Hijjah 1441

Corresponded: 13 August 2020

**AI KATHIRI HOLDING COMPANY
SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED INTERIM STATEMENT
OF FINANCIAL POSITION (UNAUDITED)**

	Notes	As in June 30th 2020 (Unaudited)	As in Decemeber31 2019 (audited)
ASSETS			
Non-current assets:			
Property, plant and equipment, Net	6	62,069,728	52,837,575
Total non-current assets		62,069,728	52,837,575
Current assets :			
Accounts Receivables		27,230,523	29,193,167
Inventory	7	10,191,657	10,215,238
Other debit balances	8	21,270,385	13,214,592
Cash and Cash Equivalents	9	1,863,874	4,823,041
Total current assets		60,556,439	57,446,038
Total assets		122,626,167	110,283,613
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' Equity			
Share Capital		45,208,800	45,208,800
Additional capital		251,838	251,838
Share premium		7,559,083	7,559,083
Statutory Reserve		2,923,789	2,923,789
Retained earnings		17,589,657	15,253,401
Total shareholders' equity		73,533,167	71,196,911
NON-CURRENT LIABILITIES:			
Non-current portion SIDF Loan	10	4,408,000	4,408,000
Provision for end of service		549,543	434,227
Total non-current liabilities		4,957,543	4,842,227
CURRENT LIABILITIES:			
Accounts payable		8,691,703	9,742,615
Short term loans	11	29,745,126	10,204,311
Current portion of capital contract obligations		3,221,877	7,752,944
Due to related parties	12	33,760	3,776,075
Other credit balances	13	1,761,419	2,308,157
Provision for zakat	14	681,572	460,373
Total current liabilities		44,135,457	34,244,475
Total liabilities		49,093,000	39,086,702
Total Shareholders' Equity And Liabilities		122,626,167	110,283,613

Finance Manager

Chief Executive Officer

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

**AI KATHIRI HOLDING COMPANY
SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED INTERIM
STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)**

	Notes	For the period from April 1 to June 30		For the period from January 1 to June 30	
		2019		2019	
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenues	15	15,243,084	17,901,539	40,808,951	43,998,618
Deduct: cost of revenues	16	(13,300,626)	(12,285,219)	(31,384,975)	(30,585,278)
Gross profit		1,942,458	5,616,320	9,423,976	13,413,340
Deduct :					
Selling and Marketing expenses		(215,915)	(167,906)	(639,341)	(572,174)
General and administrative expenses	17	(1,053,198)	(1,027,538)	(2,862,874)	(1,753,343)
Depreciation fixed Assets		(1,382,903)	(1,285,653)	(2,570,128)	(2,567,688)
Financing Costs		(42,340)	(142,716)	(287,588)	(988,082)
Net (Loss) / Profit From main operations		(751,898)	2,992,507	3,064,045	7,532,053
Capital Loss		(73,112)	-	(73,112)	-
(Expenses) /Other revenues		(238,156)	16,979	(424,491)	48,896
Net (loss)/Profit before Zakat		(1,063,166)	3,009,486	2,566,442	7,580,949
Deduct : Estimated Zakat		(230,186)	-	(230,186)	-
Net (loss) / profit for the period	14	(1,293,352)	3,009,486	2,336,256	7,580,949
Total other comprehensive income		-	-	-	-
Total Comprehensive Income for the period		(1,293,352)	3,009,486	2,336,256	7,580,949
Basic and diluted earnings per share for the year					
From (loss) / profit of main operations		(0.17)	0.69	0.68	1.86
from Net (loss) / profit		(0.29)	0.69	0.52	1.87
Weighted average number of shares		4,520,880	4,338,720	4,520,880	4,054,638

Finance Manager

Chief Executive Officer

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

**AI KATHIRI HOLDING COMPANY
SAUDI JOINT STOCK COMPANY
CONDENSED CONSOLIDATED INTERIM
STATEMENT OF CASH FLOWS (UNAUDITED)**

	For the period from January 1 to June 30	
	2020	2019
	(Unaudited)	(audited)
Net profit for the period	2,336,256	7,580,949
<u>Adjustments to reconcile net profit to net cash provided from (used in) operations activities:</u>		
Property plant and equipment depreciation	2,570,128	2,567,688
Gains on disposal of fixed assets	73,112	-
Provision for zakat	230,186	-
Zakat difference	474,437	-
Provision for end of service	115,315	80,730
Accounts Receivables	1,962,644	(4,740,135)
Inventories	23,581	(191,119)
Other debit balances	(8,055,793)	(7,107,307)
Accounts payable	(1,050,912)	1,105,440
related parties	(3,742,315)	-
Other credit balances	(546,738)	(235,867)
Zakat Paid	(483,424)	(242,357)
Net cash (used in) from operating activities	<u>(6,093,523)</u>	<u>(1,181,978)</u>
<u>Cash flows from Investing Activities</u>		
Added fixed assets payment for property plant and equipment	(896,011)	(7,813)
Received from Selling the proceeds from sale of property, plant and equipment	223,000	-
payment for Projects under process	(11,202,381)	-
Net cash (used in) investing activities	<u>(11,875,392)</u>	<u>(7,813)</u>
<u>Cash flows from financing Activities</u>		
Short term loans	19,540,815	4,305,314
capital contract obligations	(4,531,067)	(2,743,932)
Net cash provided from financing activities	<u>15,009,748</u>	<u>1,561,382</u>
Net change in cash and cash equivalents	(2,959,167)	371,591
Cash and cash equivalents at the beginning of the period	<u>4,823,041</u>	<u>874,164</u>
Cash and cash equivalents at the end of the period	<u><u>1,863,874</u></u>	<u><u>1,245,755</u></u>

Finance Manager

Chief Executive Officer

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

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

	Share Capital	Additional capital	Share premium	Statutory Reserve	Retained Earnings	Total
Balance at 1 January 2020 "audited"	45,208,800	251,838	7,559,083	2,923,789	15,253,401	71,196,911
Net Profit for the period	-	-	-	-	2,336,256	2,336,256
Balance at 30 June 2020 " Unaudited"	45,208,800	251,838	7,559,083	2,923,789	17,589,657	73,533,167
Balance at 1 January 2019 "audited"	37,674,000	251,838	7,559,083	1,322,191	8,373,823	55,180,935
Capital increase	7,534,800	-	-	-	(7,534,800)	-
Net Profit for the period	-	-	-	-	7,580,949	7,580,949
Balance at 30 June 2019	45,208,800	251,838	7,559,083	1,322,191	8,419,972	62,761,884

Finance Manager



Chief Executive Officer



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

**AI KATHIRI HOLDING COMPANY
SAUDI JOINT STOCK COMPANY
NOTES TO THE CONDENSED CONSOLID
INTERIM FINANCIAL STATEMENT (UNAUDITED)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2020**

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. The company's share capital

During the year 2017, the partners made a decision to convert the company from a limited liability company to a closed 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 closed 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 financial statements.

On 05/17/2017 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 for the purpose of listing in the Nomu - parallel market with a capital of 31,395,000 SR

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.

C. 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.

D. Fiscal year:

The fiscal year of the Company is 12 months starts from the beginning of January and ends on 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.

NOTE (2) 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 2020. They are as follows:

Company's name	Country	Legal entity	30JUNE2020	31December2020
Alian Industry Company	Kingdom of Saudi Arabia	Limited liability company	100	100
The Supply support company	Kingdom of Saudi Arabia	Limited liability company	100	100

**AI KATHIRI HOLDING COMPANY
SAUDI JOINT STOCK COMPANY
NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENT (UNAUDITED)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2020**

NOTE (3): BASIS OF PREPARATION CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT:

3.1 Applicable accounting standards:

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard No. (34): the condensed interim financial reports approved in the Kingdom of Saudi Arabia, and the other standards and publications approved by the Saudi Organization for Certified Public Accountants. These interim condensed consolidated financial statements do not include all the information and explanations required in the annual financial statements. Accordingly, these condensed interim consolidated financial statements should be read together with the Group's consolidated financial statements for the year ended 31 December 2019.

2-3 basis of preparation

these condensed consolidated interim financial statements have been prepared on the historical cost basis with the exception of defined benefit plans for employees, which are measured at the present value of future obligation using the method of estimating the amounts Accrued by unit and excluding financing and investment in associates, which are accounted for in accordance with the equity method. In addition, these condensed consolidated interim financial statements are prepared using the accrual basis of accounting and the going concern concept.

3-3 Use of estimates

The preparation of these condensed consolidated interim 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. The 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.

3-4 Basis of consolidating the consolidated financial statements

These condensed consolidated interim financial statements, which include the condensed consolidated interim statement of financial position, the condensed consolidated interim profit or loss and comprehensive income statement, the condensed consolidated interim statement of changes in equity, the condensed consolidated interim statement of cash flows and the notes to the condensed interim 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.

**AI KATHIRI HOLDING COMPANY
SAUDI JOINT STOCK COMPANY
NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENT (UNAUDITED)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2020**

NOTE (3): PRINCIPLES OF PREPARING THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) :

3-4 Basis of consolidating the 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.

The internal financial statements for the period ending on 30 June 2020 were approved by the management of the subsidiaries and are not approved due to the legal entity of the subsidiaries

NOTE (4) SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies applied to these condensed interim consolidated financial statements are the same as those applied to the consolidated financial statements for the financial period ending on 30 June 2020.

NOTE (5) SUMMARY OF THE MOST IMPORTANT ACCOUNTING POLICIES:

5-1 Property, plant, and equipment:

Property, plant and equipment are shown in the Financial position at cost after deducting the accumulated depreciation until the date of the financial statements and any impairment in value (if any). Depreciation is calculated on property, plant and equipment except for land according to the straight-line method over the expected useful life as follows:

Buildings	3.5%	Furniture and Fixture	15%
Machinery and equipment	10%	Computers	15%
Vehicles and cars	20%		

Property, plant and equipment sold or disposed and their disposed depreciation are written off from the accounts at the date of their sale or disposed, and the resulting gains or losses are recognized in the interim statement of profits or losses and other comprehensive income

Regular maintenance and repair expenses that do not materially increase the estimated useful life of the asset or its production capacity are recorded in the interim income statement. As for the expenses of significant improvements and renewals, they are capitalized and the asset that has been replaced is excluded.

**NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENT (UNAUDITED)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2020**

NOTE (5) SUMMARY OF THE MOST IMPORTANT ACCOUNTING POLICIES (CONTINUED):

5-1 Property, plant, and equipment (continued):

The residual values, useful lives and depreciation method are examined at the end of each financial year and the effect of any changes in estimate on the future basis is calculated.

5-2 Impairment in the value of non-current assets

An evaluation is performed to ensure that there is any objective evidence of impairment in the value of any class or group of non-current assets. In the case of such evidence, the recoverable value of that asset is determined, and the decrease in the loss is recognized as the difference between the recoverable value and the recorded value in the books. The impairment losses are included in the income statement (if any).

5-3 Projects under construction:

The cost of projects under construction represents the expenses incurred by the company in order to obtain equipment under construction and payments for the purchase of complementary machinery and equipment and other expansion equipment that are classified in a separate item under property and equipment until they are subsequently transferred to one of the related items within property, machinery and equipment upon completion.

5-4 Inventory:

Inventory are valued at the lower of cost or net realizable value. The cost is determined using the weighted average method.

Net realizable value is the estimated selling price in regular activity after deducting the estimated costs to complete and sell. A provision is made, when necessary, for slow moving and damaged inventory items.

5-5 Financial instruments:

Financial assets and financial liabilities are recognized in the statement of financial position only when the company becomes a party to the contractual arrangements for the financial instrument.

5-5-A Financial Assets - Classification, Recognition and Measurement Classification of financial assets:

Financial assets are classified as being measured at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss based on both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

First: A financial asset is measured at amortized cost if met all of the following conditions:

- A) It maintains the financial asset within a business model whose goal is to maintain financial assets to collect contractual cash flows.
- B) The contractual terms of the financial asset give rise on specified dates to cash flows that are only payments of the principal amount and interest on the outstanding principal amount.

Second: A financial asset is measured at fair value through other comprehensive income if you meet all of the following conditions:

- A) The financial asset is held within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets.
- B) The contractual terms of the financial asset give rise on specified dates to cash flows that are only payments of the principal amount and interest on the outstanding principal amount

Third: A financial asset is measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

**AI KATHIRI HOLDING COMPANY
SAUDI JOINT STOCK COMPANY
NOTES TO THE CONDENSED CONSOLID
INTERIM FINANCIAL STATEMENT (UNAUDITED)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2020**

NOTE (5) SUMMARY OF THE MOST IMPORTANT ACCOUNTING POLICIES (CONTINUED)

Impairment of current assets:

The Company measures expected credit losses over the life of its financial assets. The impairment method applied for the Company depends on whether there is a significant increase in credit risk. With regard to trade receivables, the company applies the simplified approach permitted by IFRS No. (9), which requires that expected credit losses be recorded over the life of these receivables since the initial recognition.

Measuring the expected loss of credit:

The company makes a weighted estimate of the value of expected credit losses, which represents the difference between the cash flows due to the company according to the contract and the value that the company expects to collect. When estimating the expected credit losses, the company evaluates the appropriate and relevant information that is available without unnecessary cost or effort, and this includes quantitative and qualitative information and analyzes. Both based on the historical experience of the company and the considered credit evaluation, including future information.

5-5-B Financial Liabilities - Recognition and Measurement:

The company's financial liabilities include trade payables, accrued expenses and other liabilities. These financial liabilities are initially recognized at fair value plus related transaction costs immediately after initial recognition. These financial liabilities are measured at amortized cost using the effective rate of return method.

- **Account receivables**
Accounts receivable are shown in the Financial position with their net value after deducting the allowance for doubtful debts (if any). A provision for doubtful debts is estimated based on a study of the ages of individual receivables balances and an assessment of their collectability at the end of the financial period.
- **Cash and cash equivalents**
For the purposes of preparing the Interim condensed statement of cash flow, the cash and cash equivalents item consists of cash balances in current accounts, whether in local currency or in non-restricted foreign currencies with local banks, and short-term deposits with a maturity period of less than a year.
- **Account payables**
Liabilities are included for amounts to be paid in the future for services or goods obtained, whether or not an invoice was submitted by the supplier .
- **Dividend distribution to shareholders**
Dividends are recorded in the financial statements of the company when they are approved by the general assembly of shareholders.

5-6 Provision for end of service benefits

The service reward provision is calculated according to the Saudi Labor Law for the periods of service of the employees from the time they join the company until the date of the Financial position, and the entitlement of the employees is monitored for the estimated obligation of their entitlements from annual leave and travel tickets as a result of their services provided.

State-administered pension plan payments are treated as defined contribution plan payments where the company's obligations under these plans are equal to those resulting under the defined contribution plans. Thus, the cost accrued for the contributions is charged to the statement of comprehensive income as incurred

**AI KATHIRI HOLDING COMPANY
SAUDI JOINT STOCK COMPANY
NOTES TO THE CONDENSED CONSOLID
INTERIM FINANCIAL STATEMENT (UNAUDITED)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2020**

NOTE (5) SUMMARY OF THE MOST IMPORTANT ACCOUNTING POLICIES (CONTINUED):

5-7 Provision of Zakat:

The Zakat and tax provision is measured and recognized in the income statement and for each financial period in accordance with the regulations of the General Authority for Zakat and Income Tax in the Kingdom of Saudi Arabia.

Any difference between the provision and the final assessment is recorded when the final assessment is issued by the Authority, and differences are made over the period of time the linkage was issued.

5-8 Revenue recognition:

Sales are recognized upon issuance of invoices and delivery of goods to customers, and other revenues are recognized when they are realized.

9-5 Operating, administrative and general expenses:

Operating, administrative and general expenses are recognized and measured as period expenses according to the accrual basis, and these expenses are charged to the accounting period in which they occurred. The operating, administrative and general expenses that benefit from more than one accounting period are distributed over those periods on a time basis using their historical cost.

5-10 transactions in foreign currencies

Financial transactions in foreign currencies during the period are recorded in Saudi riyals according to the exchange rate prevailing at the date of the transaction occurring, monetary assets and liabilities at the end of the financial period called foreign currencies are recorded in Saudi riyals according to the exchange rates prevailing on the date of the Financial position, as for the differences resulting from the change in exchange rates Foreign currencies are included in the income statement in the period in which these differences arose.

5-11 fair value measurement

The fair value is the amount that is received when an asset is sold or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

the fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability item occurs either:

A- In the principal market for the asset or liability item; or

B- in the absence of the principal market, in the most favorable market for an asset or liability item.

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

The fair value measurement of non-financial assets takes into account the ability of the market participant to achieve economic benefits by using the asset item with the highest and best use for it, or by selling it to another market participant who will use the asset item with the highest and best use for it.

The company uses appropriate valuation techniques according to the circumstances and where sufficient data are available for it to measure fair value, to increase the use of relevant observable inputs and reduce the use of unobservable inputs

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, explained as follows, based on the minimum input required to measure fair value as a whole:

**AI KATHIRI HOLDING COMPANY
SAUDI JOINT STOCK COMPANY
NOTES TO THE CONDENSED CONSOLID
INTERIM FINANCIAL STATEMENT (UNAUDITED)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2020**

NOTE (5) SUMMARY OF THE MOST IMPORTANT ACCOUNTING POLICIES (CONTINUED):

Level (1): quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level (2): Valuation techniques that use the minimum input required to measure fair value, and are observable, directly or indirectly.

Level (3): other valuation techniques that use the minimum input required to measure fair value but are not based on observable market data.

With regard to the assets and liabilities recognized in the financial statements on a recurring basis, the company determines whether the transfers have occurred between levels in the hierarchy by reassessing the classification (based on the minimum input required to measure the fair value as a whole) at the end of each financial reporting period.

**AI KATHIRI HOLDING COMPANY
SAUDI JOINT STOCK COMPANY
NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENT (UNAUDITED)
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2020**

NOTE (6): PROPERTY, PLANT AND EQUIPMENT, (NET):

	Lands	Buildings	Machinery and equipment	Vehicles and cars	Computers	Furniture and office equipment	Work in progress	Total
<u>Book value:</u>								
Balance at 1 January 2020 "audited"	5,500,000	11,202,382	41,223,714	2,838,680	284,806	317,631	7,557,617	68,924,830
Additions	-	-	873,900	-	7,010	15,101	11,202,381	12,098,392
Disposals	-	-	(409,334)	-	-	-	-	(409,334)
Balance at 30 June 2020 "Unaudited"	5,500,000	11,202,382	41,688,280	2,838,680	291,816	332,732	18,759,998	80,613,888
<u>Accumulated depreciation:</u>								
Balance at 1 January 2020 "audited"	-	1,095,568	13,020,536	1,738,831	102,505	129,815	-	16,087,255
Additions	-	202,301	2,039,562	283,707	20,876	23,682	-	2,570,128
Disposals	-	-	(113,223)	-	-	-	-	(113,223)
Balance at 30 June 2020 "Unaudited"	-	1,297,869	14,946,875	2,022,538	123,381	153,497	-	18,544,160
Net book value at 30 June 2020	5,500,000	9,904,513	26,741,405	816,142	168,435	179,235	18,759,998	62,069,728
Net book value at 31 Dec 2019	5,500,000	10,106,814	28,203,178	1,099,849	182,301	187,816	7,557,617	52,837,575

The Projects under process represent the construction of concrete production line in Elian Industrial Company, "one of the subsidiary companies"

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NOTE (7): INVENTORY:

	<u>As in June 30th</u> <u>2020</u> <u>(Unaudited)</u>	<u>As in Decmeber31</u> <u>2019</u> <u>(audited)</u>
Raw materials	9,674,494	9,864,820
Finished Goods	10,000	-
Spare parts	507,163	350,418
Total	<u>10,191,657</u>	<u>10,215,238</u>

NOTE (8): OTHER DEBIT BALANCES:

	<u>As in June 30th</u> <u>2020</u> <u>(Unaudited)</u>	<u>As in Decmeber31</u> <u>2019</u> <u>(audited)</u>
Advances and loans to employees	273,121	375,882
Prepaid expenses	1,054,661	398,112
letters credits and letters of guarantee	78,120	78,120
cost of unfinished projects	2,312,500	7,521,953
Accounts receivable unfinished projects	6,855,640	2,312,500
Advanced payments to suppliers	10,696,343	2,495,918
Others	-	32,107
Total	<u>21,270,385</u>	<u>13,214,592</u>

NOTE (9): CASH AND CASH EQUIVALENTS:

	<u>As in June 30th</u> <u>2020</u> <u>(Unaudited)</u>	<u>As in Decmeber31</u> <u>2019</u> <u>(audited)</u>
Cash on hand	14,033	-
Cash at Bank	1,849,841	4,823,041
Total	<u>1,863,874</u>	<u>4,823,041</u>

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NOTE (10): LOAN OF INDUSTRIAL DEVELOPMENT FUND:

Alian industrial company “subsidiary company” signed an agreement with the industrial development fund to obtain a loan with the amount of 23,200,000 SR. The company obtaining 4,408,000 out of the loan to be paid in 12 semi-annual premiums at the beginning of 15/10/1443 – 16/05/2022. The last premium will be paid in 15/04/1449 – 16/09/2027. The industrial development fund pawns the equipment of the factory and buildings and signed on a promissory note.

NOTE (11): LOANS AND BANKING FACILITIES:

The company signed several agreements with local banks with a credit limit Of 11.000.000 SR with promissory note granted of 6,500,000 SR and personal guarantees from the Shareholder Meshaal Alkathiri about the facility credit limit.

Alian industrial company “subsidiary company” signed a faciality agreement with one of the local banks with a credit limit of 18,000,000 SR with promissory note granted of 19.221.000 SR and personal guarantees from the Shareholder Meshal Alkathiri about the facility credit limit.

The ceiling of the facilities used until 6/30/2020 was as follows:

	<u>Company's name</u>	<u>As in June 30th 2020 (Unaudited)</u>	<u>As in Decemeber31 2019 (audited)</u>
Short term loans	Al Kathiri Holding	15,832,993	10,204,311
Short term loans	Alian Industry	13,912,133	-
		<u>29,745,126</u>	<u>10,204,311</u>

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NOTE (12): TRANSACTIONS WITH RELATED PARTIES :

Authority	Related type	Nature of relationship	Balance 1/1	Period movement		Balance 30/6
				Debit	Credit	
Meshaal AL-kathiri	shareholder	funding	3,776,075	18,050,525	14,308,210	33,760

Transactions with senior executives during the period ending on 30/6/2020 are represented as follows:

	As in June 30th 2020 (Unaudited)
Chief Executive Officer / Meshaal AL-kathiri	150,000
Salaries	15,000
Provision for end of service	50,000
Board of director bonus	215,000

NOTE (13): OTHER CREDIT BALANCES:

	As in June 30th 2020 (Unaudited)	As in December 31 2019 (audited)
Accrued expenses	509,615	398,445
VAT	175,900	-
Advance payments from clients	1,075,904	1,909,712
Total	1,761,419	2,308,157

NOTE (14): PROVISION FOR ZAKAT :

The movement in zakat provision was as follows:

	As in June 30th 2020 (Unaudited)	As in December 31 2019 (audited)
Balance at beginning of the year	460,373	242,357
Adjustments for zakat differences	474,437	-
Provision for zakat component	230,186	460,373
Payment	(483,424)	(242,357)
Balance at the end of the year	681,572	460,373

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NOTE (15) :REVENUES:

	For the period ending June 30	
	2020	2019
	(Unaudited)	(audited)
Cement sales	15,744,942	20,091,408
Concrete sales	16,464,500	17,459,111
Government contracts	3,700	6,448,099
Sand and white Pebble sales	8,595,809	-
Total	<u>40,808,951</u>	<u>43,998,618</u>

NOTE (16): COST OF REVENUES:

	For the period ending June 30	
	2020	2019
	(Unaudited)	(audited)
Raw materials	26,473,239	25,945,820
Salaries, wages and the equivalents	2,780,121	2,945,050
Other operating expenses	2,131,615	1,694,408
Total	<u>31,384,975</u>	<u>30,585,278</u>

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NOTE (17): GENERAL AND ADMINISTRATIVE EXPENSES:

	For the period ending June 30	
	2020	2019
	(Unaudited)	(audited)
Salaries and wages	1,314,479	786,560
Zakat differences	40,235	-
Professional and consultants fees	590,114	208,750
Subscriptions fees	314,721	255,258
Allowance for attending board and committee meetings	50,028	176,000
Others	553,297	326,775
Total	<u>2,862,874</u>	<u>1,753,343</u>

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NOTE (18) EARNINGS PER SHARE:

The calculation of 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 was calculated as of 30 June 2020 based on the weighted average number of shares outstanding during the period amounting to 4,520,880 shares (31 December 2019: 4,520,880 shares). The adjusted earnings per share is the same as the basic earnings per share as the group has no convertible securities nor Reduced financial instruments to exercise.

NOTE (19) FAIR VALUE OF FINANCIAL INSTRUMENTS:

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 manage 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.

NOTE (20) THE EFFECTS OF THE SPREAD OF THE CORONAVIRUS (COVID 19)

With regard to the effects resulting from the spread of the Coronavirus (Covid 19) that appeared during the reporting period as a global pandemic and the precautionary measures that the Kingdom of Saudi Arabia took in implementing to confront this pandemic, the company believes that this event did not have a material impact on the results of the company's operations until the date of the condensed consolidated interim financial statements. The company cannot currently anticipate the financial impact of this crisis, and the company is following up the developments and taking all possible financial, administrative and technical measures in order to mitigate the potential negative effects of this crisis. Changes in future circumstances may require some disclosures or amendments to the interim condensed consolidated financial statements in the subsequent periods during the current year is 2020.

NOTE (21): BUSINESS RESULTS FOR THE INTERIM PERIOD:

The business results for the initial financial period may not be an accurate indication of the actual results of the whole year's business.

NOTE (22): APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS:

The preliminary financial statements were approved by the Company's Board of Directors on 20/12/1441 corresponding to (10/08/2020).