



**THOB AL ASEEL COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS (UNAUDITED)  
AND REVIEW REPORT FOR THE THREE-  
MONTH AND SIX-MONTH PERIODS ENDED  
30 JUNE 2023**

**Thob Al Aseel Company**  
**(A Saudi Joint Stock Company)**  
**Condensed consolidated interim financial statements for the three-month and six-**  
**month periods ended 30 June 2023 (Unaudited)**

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## *Report on review of condensed consolidated interim financial statements*

**To the shareholders of Thob Al Aseel Company  
(A Saudi Joint Stock Company)**

### *Introduction*

We have reviewed the accompanying condensed consolidated interim statement of financial position of Thob Al Aseel Company and its subsidiary (collectively referred to as the “Group”) as at 30 June 2023 and the related condensed consolidated interim statements of income, comprehensive income for the three-month and six-month periods ended 30 June 2023 and the condensed consolidated interim statements of changes in shareholders’ equity and cash flows for the six-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 - “Interim Financial Reporting” (“IAS 34”), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

### *Scope of review*

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”, as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

**PricewaterhouseCoopers**

Mufaddal Abbas Ali  
License No. 447

25 July 2023



**Thob Al Aseel Company**  
**(A Saudi Joint Stock Company)**  
**Condensed consolidated interim statement of financial position**  
(All amounts are in Saudi Riyals unless otherwise stated)

		As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
	Note		
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment		21,608,990	18,323,225
Right-of-use assets		22,498,095	23,703,752
Intangible assets		613,714	598,348
<b>Total non-current assets</b>		<b>44,720,799</b>	<b>42,625,325</b>
<b>Current assets</b>			
Inventory		221,458,548	312,620,322
Trade receivables	13	290,659,517	226,020,138
Prepayments and other receivables		21,827,100	19,951,110
Financial assets at fair value through profit or loss	6	9,755,410	8,692,709
Cash and cash equivalents		117,701,909	94,551,373
<b>Total current assets</b>		<b>661,402,484</b>	<b>661,835,652</b>
<b>Total assets</b>		<b>706,123,283</b>	<b>704,460,977</b>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital	9	400,000,000	400,000,000
Statutory reserve		69,626,212	69,626,212
Retained earnings		133,651,233	102,882,776
<b>Total shareholders' equity</b>		<b>603,277,445</b>	<b>572,508,988</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities		8,090,473	8,776,276
Employees' end of service benefits		15,641,636	15,807,740
<b>Total non-current liabilities</b>		<b>23,732,109</b>	<b>24,584,016</b>
<b>Current liabilities</b>			
Trade payables		18,903,982	48,958,304
Lease liabilities		14,629,470	15,330,615
Accrued expenses and other liabilities		34,915,284	21,367,793
Provision for zakat		10,664,993	21,711,261
<b>Total current liabilities</b>		<b>79,113,729</b>	<b>107,367,973</b>
<b>Total liabilities</b>		<b>102,845,838</b>	<b>131,951,989</b>
<b>Total shareholders' equity and liabilities</b>		<b>706,123,283</b>	<b>704,460,977</b>

Notes on pages 7 to 16 form an integral part of these condensed consolidated interim financial statements.

**Chief Financial Officer**

**Chief Executive Officer**

**Chairman of the Board**

**Thob Al Aseel Company**  
**(A Saudi Joint Stock Company)**  
**Condensed consolidated interim statement of income (Unaudited)**  
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	Three-month period ended 30 June		Six-month period ended 30 June	
		2023	2022	2023	2022
Sales	10	<b>163,090,518</b>	156,633,158	<b>353,578,043</b>	342,931,332
Cost of sales		<b>(93,134,939)</b>	(79,992,180)	<b>(217,347,087)</b>	(202,836,835)
<b>Gross profit</b>		<b>69,955,579</b>	76,640,978	<b>136,230,956</b>	140,094,497
General and administrative expenses		<b>(9,409,183)</b>	(7,874,898)	<b>(19,232,575)</b>	(16,795,614)
Selling and distribution expenses		<b>(15,592,787)</b>	(11,284,296)	<b>(31,751,064)</b>	(25,912,012)
Impairment losses on trade receivables	13	<b>(8,115,868)</b>	(26,077,799)	<b>(14,579,656)</b>	(41,447,445)
Realized and unrealized profit / (loss) from remeasurement of financial assets at fair value through profit or loss, net	6	<b>1,029,622</b>	(1,145,665)	<b>1,062,701</b>	(1,351,493)
Other income		<b>55,113</b>	43,438	<b>314,780</b>	235,294
<b>Operating profit</b>		<b>37,922,476</b>	30,301,758	<b>72,045,142</b>	54,823,227
Finance cost		<b>(693,199)</b>	(751,831)	<b>(1,157,588)</b>	(1,398,580)
<b>Profit for the period before zakat</b>		<b>37,229,277</b>	29,549,927	<b>70,887,554</b>	53,424,647
Zakat expense		<b>(4,700,000)</b>	(4,500,000)	<b>(10,600,000)</b>	(9,400,000)
<b>Profit for the period</b>		<b>32,529,277</b>	25,049,927	<b>60,287,554</b>	44,024,647
<b>Basic and diluted earnings per share of the period according to the profit attributable to the shareholders of the Company</b>	11	<b>0.08</b>	0.06	<b>0.15</b>	0.11

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**Condensed consolidated interim statement of comprehensive income (Unaudited)**  
(All amounts are in Saudi Riyals unless otherwise stated)

	<b>Three-month period ended 30 June</b>		<b>Six-month period ended 30 June</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Profit for the period</b>	<b>32,529,277</b>	25,049,927	<b>60,287,554</b>	44,024,647
Items that may not be reclassified subsequently in the statement of income:				
Re-measurement of employees' end of service benefits	<b>327,592</b>	209,498	<b>480,903</b>	247,422
<b>Total comprehensive income for the period</b>	<b>32,856,869</b>	25,259,425	<b>60,768,457</b>	44,272,069

Notes on pages 7 to 16 form an integral part of these condensed consolidated interim financial statements.

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**Condensed consolidated interim statement of changes in shareholders' equity**  
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained earnings	Total shareholders' equity
<b>Balance as at 1 January 2022 (Audited)</b>		400,000,000	64,282,586	114,933,098	579,215,684
Profit for the period		-	-	44,024,647	44,024,647
Other comprehensive income		-	-	247,422	247,422
Total comprehensive income for the period		-	-	44,272,069	44,272,069
Dividends	8	-	-	(30,000,000)	(30,000,000)
<b>Balance as at 30 June 2022 (Unaudited)</b>		<b>400,000,000</b>	<b>64,282,586</b>	<b>129,205,167</b>	<b>593,487,753</b>
<b>Balance as at 1 January 2023 (Audited)</b>		<b>400,000,000</b>	<b>69,626,212</b>	<b>102,882,776</b>	<b>572,508,988</b>
Profit for the period		-	-	60,287,554	60,287,554
Other comprehensive income		-	-	480,903	480,903
Total comprehensive income for the period		-	-	60,768,457	60,768,457
Dividends	8	-	-	(30,000,000)	(30,000,000)
<b>Balance as at 30 June 2023 (Unaudited)</b>		<b>400,000,000</b>	<b>69,626,212</b>	<b>133,651,233</b>	<b>603,277,445</b>

Notes on pages 7 to 16 form an integral part of these condensed consolidated interim financial statements.

**Chief Financial Officer**

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**Condensed consolidated interim statement of cash flows (Unaudited)**  
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	Six-month period ended 30 June	
		2023	2022
<b>Cash flows from operating activities</b>			
Profit for the period before zakat		70,887,554	53,424,647
<b>Adjustments for:</b>			
Depreciation of property and equipment		1,105,441	850,112
Amortisation of intangible assets		63,634	58,697
Depreciation of the right-of-use assets		5,478,051	5,100,936
Provision for obsolescence inventory		5,664,023	150,975
Gains on disposal of property and equipment		(212,387)	(93,277)
Realized and unrealized (profit) / loss from remeasurement of financial assets at fair value through profit or loss		(1,062,701)	1,351,493
Impairment losses on trade receivables		14,579,656	41,447,445
Provision for employees' end of service benefits		1,175,710	925,578
Finance cost		1,157,588	1,398,580
<b>Change in working capital</b>			
Inventories		85,497,751	46,581,765
Trade receivables		(79,219,035)	(94,473,023)
Prepayments and other receivables		(1,875,990)	(3,915,552)
Trade payables		(30,054,322)	3,414,318
Accrued expenses and other liabilities		13,547,491	905,683
Zakat paid		(21,646,268)	(16,993,896)
Employees' end of service benefits paid		(860,911)	(352,976)
<b>Net cash generated from operating activities</b>		<b>64,225,285</b>	<b>39,781,505</b>
<b>Cash flows from investing activities</b>			
Purchase of property, equipment		(4,391,949)	(1,013,198)
Purchase of intangible assets		(79,000)	-
Proceeds from disposal of property and equipment		213,130	96,072
Additions to financial assets at FVTPL		-	(10,300,000)
<b>Net cash used in investing activities</b>		<b>(4,257,819)</b>	<b>(11,217,126)</b>
<b>Cash flows from financing activities</b>			
Lease payments		(6,816,930)	(5,240,560)
Dividends paid	8	(30,000,000)	(30,000,000)
<b>Net cash used in financing activities</b>		<b>(36,816,930)</b>	<b>(35,240,560)</b>
<b>Net change in cash and cash equivalents</b>		<b>23,150,536</b>	<b>(6,676,181)</b>
Cash and cash equivalents at the beginning of the period		94,551,373	134,510,281
<b>Cash and cash equivalents at the end of the period</b>		<b>117,701,909</b>	<b>127,834,100</b>
<b>Significant non-cash transactions:</b>			
Additions to right-of-use assets and lease liabilities		4,272,394	7,464,450
Change in re-measurement of employees' end of service benefits		480,903	247,422

Notes on pages 7 to 16 form an integral part of these condensed consolidated interim financial statements.

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**Thob Al Aseel Company**  
**(A Saudi Joint Stock Company)**  
**Notes to the condensed consolidated interim financial statements**  
**For the three-month and six-month periods ended 30 June 2023**  
(All amounts are in Saudi Riyals unless otherwise stated)

**1 General information**

Thob Al Aseel Company (the “Company”) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration number 1010071301 on 1 Dhu Al-hijah 1437H (corresponding to 5 September 2016).

The Company’s registered address is Kingdom of Saudi Arabia, Riyadh, King Fahad Road, opposite to the Insurance Complex, Postal code: 11426, P.O. box: 23236.

The primary activity of the Company is to import, export, wholesale and retail of fabrics and ready-made clothes.

The Company practices its activities through 26 branches (2022: 27 branches).

The condensed consolidated interim financial statements include the accounts of the Company and its subsidiary (collectively referred to as the “Group”) as follows:

Subsidiary	Country of incorporation	Ownership percentage as of	
		30 June 2023	31 December 2022
Al Jedaie Fabrics Company	Kingdom of Saudi Arabia	100%	100%

**Subsidiary**

Al Jedaie Fabrics Company (the “Subsidiary”) was incorporated as a limited liability Company in Riyadh in the Kingdom of Saudi Arabia under commercial registration number 1010048637 dated 22 Jumada Al-Awal 1438H (corresponding to 19 February 2017). The Subsidiary is mainly engaged in sale of textiles, clothing and wholesale of men’s fabrics and sale of textiles and fabrics of all kinds (wearables) for fabrics and men’s clothing.

The subsidiary practices its activities through 50 branches (2022: 50 branches).

**2 Basis of preparation**

**2.1 Statement of compliance**

These condensed consolidated interim financial statements have been prepared in compliance with IAS 34 “Interim Financial Reporting” as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

These condensed consolidated interim financial statements do not include all required information and disclosures in the annual consolidated financial statements and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2022. However, the accounting policies and explanatory notes of important events and transactions have been included to understand the changes in the Group’s financial position and performance since the last annual financial statements which were prepared in accordance with International Financial Reporting Standards that are issued by the International Accounting Standard Interpretations Committee as endorsed in the Kingdom of Saudi Arabia and other standards, interpretations and pronouncements that are issued by SOCPA, hereinafter collectively referred to as “International Financial Reporting Standards”.

**Thob Al Aseel Company**  
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(All amounts are in Saudi Riyals unless otherwise stated)

**2. Basis of preparation (continued)**

**2.2 Preparation of the condensed consolidated interim financial statements**

These condensed consolidated interim financial statements are prepared under the historical cost convention except for the following significant items included in the condensed consolidated interim statement of financial position:

- Investments in equity instruments are measured at FVTPL.
- Employees' termination benefits are recognized at the present value of future obligations using the Projected Unit Credit Method; and

**2.3 Use of estimates, assumptions and judgments**

The preparation of the Group's condensed consolidated interim financial statements requires the management to use certain critical estimates, assumptions and judgments that affect the reported amounts of revenues, expenses, assets and liabilities and disclosures of contingent liabilities at the reporting date. However, the uncertainty about these assumptions and estimates may result in conclusions causing a material adjustment to the carrying amounts of the asset or liability affected in the future periods. The significant estimates made by the management when applying the Group's accounting policies and important sources for uncertainty cases regarding the estimates were similar to those included in the last annual consolidated financial statements.

**3 Basis of consolidation**

These condensed consolidated interim financial statements comprise those of the Company and its subsidiary as at 30 June 2023.

*Subsidiary*

Subsidiary is an entity (including structured entities) over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

- The contractual arrangement with the other votes holders of the investee; and
- Rights result from other contractual arrangements; the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Unrealised gains and losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

**Thob Al Aseel Company**  
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**Notes to the condensed consolidated interim financial statements**  
**For the three-month and six-month periods ended 30 June 2023**  
(All amounts are in Saudi Riyals unless otherwise stated)

**4 Functional and presentation currency**

These condensed consolidated interim financial statements are presented in Saudi Riyals, which is the Group's functional and presentation currency.

**5 New Standards, Amendment to Standards and Interpretations**

No new standards have been issued. However, various amendments to the standards are effective from 1 January 2023 as explained in the Group's annual consolidated financial statements but do not have material impact on the Group's condensed consolidated interim financial statements.

**6 Financial assets at fair value through profit or loss**

During 2022, the Group invested Saudi Riyals 10.3 million in a private investment portfolio for the purpose of trading in various investment categories. The investment was classified as a financial asset at fair value through profit or loss and the unrealized losses and gains from remeasurement are included in the condensed consolidated interim statement of income.

The movement of financial asset at FVTPL during the period is as follows:

	<b>Six-month period ended 30 June 2023 (Unaudited)</b>	<b>For the year ended 31 December 2022 (Audited)</b>
Balance at the beginning of period / year	<b>8,692,709</b>	-
Additions	-	10,300,000
Realized and unrealized profits / (losses) from remeasurement, net	<b>1,062,701</b>	(1,607,291)
Balance at the end of the period / year	<b>9,755,410</b>	8,692,709

**7 Transactions with related parties**

*a. Transactions with key management personnel*

The following table describes compensation of key management personnel:

	<b>Six-month period ended 30 June (Unaudited)</b>	
	<b>2023</b>	<b>2022</b>
Short-term employees' benefits	<b>1,366,647</b>	1,249,795
Employees' end of service benefits	<b>99,755</b>	51,250
	<b>1,466,402</b>	1,301,045

*b. Due to related parties*

	<b>Nature of relationship</b>	<b>30 June 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
Shareholders – lease liabilities	Shareholders	<b>2,974,847</b>	3,792,488

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**7 Transactions with related parties (continued)**

*c. Transactions with shareholders*

During the ordinary course of its business, the Group had the following significant transactions:

	Nature of Transaction	Six-month period ended 30 June (Unaudited)	
		2023	2022
Shareholders	Rentals	<b>951,783</b>	1,208,010

**8 Dividends**

The final dividends are recorded in the period approved by the shareholders during the General Assembly meeting. The Board of Directors decided on its meeting dated 27 February 2023 to distribute Saudi Riyals 30 million (Saudi Riyals 0.75 per share) as dividends for the second half of the financial year 2022 in accordance with an authorization made by the Ordinary General Assembly on 26 June 2022 for the Board to distribute interim dividends for 2022.

In its meeting held on 20 February 2022, the Board of Directors decided to distribute Saudi Riyals 30 million (Saudi Riyals 0.75 per share) as dividends for the second half of the financial year 2021 in accordance with the mandate of the Ordinary General Assembly held on 28 June 2021 for the Board to distribute interim dividends for 2021.

**9 Share capital**

On June 20, 2023, the Extraordinary General Assembly approved the recommendation of the Board of Directors to divide the nominal value of the share from Saudi Riyals 10 per share to Saudi Riyal 1 per share, as a result the number of Company's shares increased from 40 million shares to 400 million shares). The legal formalities to reflect the aforementioned were completed subsequent to the period-end.

The Company's capital as of 30 June 2023 consists of 400 million shares with a nominal value of Saudi Riyal 1 per share (December 31, 2022: 40 million shares with a nominal value of Saudi Riyals 10 per share).

**10 Segment information**

**10.1 Description of segments and principal activities**

The Group manages its operations by business segments. Management treats the operations of these segments separately for the purposes of monitoring, decision making and performance assessment. The Group mainly trades in fabrics and thobs where all activities are carried out in the Kingdom of Saudi Arabia. All of the Group's business segments are located in the Kingdom of Saudi Arabia. The CEO is the primary responsible for making operational decisions. The following is a statement of the main activities of these segments:

Segment	Principal Activity
Thobs	Main activities include sales of readymade clothes.
Fabrics	Main activities include sales of fabrics.

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(All amounts are in Saudi Riyals unless otherwise stated)

**10 Segment information (continued)**

**10.2 Segments financial information's (unaudited)**

	Three-month period ended 30 June 2023			Three-month period ended 30 June 2022		
	Thobs	Fabrics	Total	Thobs	Fabrics	Total
Segment sales	139,516,171	23,574,347	163,090,518	132,921,268	23,711,890	156,633,158
Inter-segment sales	-	-	-	-	-	-
Total sales to external customers	139,516,171	23,574,347	163,090,518	132,921,268	23,711,890	156,633,158
	Six-month period ended 30 June 2023			Six-month period ended 30 June 2022		
	Thobs	Fabrics	Total	Thobs	Fabrics	Total
Segment sales	284,635,918	68,942,125	353,578,043	284,881,111	58,050,221	342,931,332
Inter-segment sales	-	-	-	-	-	-
Total sales to external customers	284,635,918	68,942,125	353,578,043	284,881,111	58,050,221	342,931,332

**Timing of revenues recognition**

	Three-month period ended 30 June 2023			Three-month period ended 30 June 2022		
	Thobs	Fabrics	Total	Thobs	Fabrics	Total
At a point of time	139,516,171	23,574,347	163,090,518	132,921,268	23,711,890	156,633,158
Over a period of time	-	-	-	-	-	-
Total revenue	139,516,171	23,574,347	163,090,518	132,921,268	23,711,890	156,633,158
EBITDA	34,168,578	7,059,475	41,228,053	29,003,003	4,213,692	33,216,695

	Six-month period ended 30 June 2023			Six-month period ended 30 June 2022		
	Thobs	Fabrics	Total	Thobs	Fabrics	Total
At a point of time	284,635,918	68,942,125	353,578,043	284,881,111	58,050,221	342,931,332
Over a period of time	-	-	-	-	-	-
Total revenue	284,635,918	68,942,125	353,578,043	284,881,111	58,050,221	342,931,332
EBITDA	56,399,271	22,292,997	78,692,268	46,329,355	14,503,617	60,832,972

**Total segment assets**

	Thobs	Fabrics	Eliminated transactions	Total
30 June 2023 (Unaudited)	668,443,684	109,697,846	(72,018,247)	706,123,283
31 December 2022 (Audited)	654,164,223	122,255,232	(71,958,478)	704,460,977

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**10 Segment information** (continued)

**10.2 Segments financial information's (unaudited)** (continued)

**Total segment liabilities**

	<b>Thobs</b>	<b>Fabrics</b>	<b>Eliminated transactions</b>	<b>Total</b>
<b>30 June 2023 (Unaudited)</b>	<b>65,110,190</b>	<b>69,500,822</b>	<b>(31,765,174)</b>	<b>102,845,838</b>
<b>31 December 2022 (Audited)</b>	81,599,185	84,188,284	(33,835,480)	131,951,989

A reconciliation of earnings before interest, taxes, depreciation and amortization (EBITDA) and profit before zakat for the period is provided as follows:

	<b>Three-month period ended 30 June</b>		<b>Six-month period ended 30 June</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>EBITDA</b>	<b>41,228,053</b>	33,216,695	<b>78,692,268</b>	60,832,972
<b>Depreciation and amortisation</b>	<b>(3,305,577)</b>	(2,914,937)	<b>(6,647,126)</b>	(6,009,745)
<b>Finance costs</b>	<b>(693,199)</b>	(751,831)	<b>(1,157,588)</b>	(1,398,580)
<b>Profit before zakat for the period</b>	<b>37,229,277</b>	29,549,927	<b>70,887,554</b>	53,424,647

**11 Earnings per share (EPS)**

Earnings per share has been calculated by dividing the net profit for the periods ending on 30 June 2023 and 2022 by 400 million shares.

The number of shares for the period ended 30 June 2022 has been adjusted retrospectively to reflect the shares division (Note 9). Since this represents a change in the number of basic shares, without a corresponding change in resources, the weighted average number of basic shares outstanding during all reported periods is adjusted retrospectively.

**12 Seasonality of activity**

The Group's activity and revenues are influenced by seasonal factors during the year due to the different purchasing patterns, and these changes are reflected in the financial results of the Group's business during the period. The period results are not an accurate indicator about the Group's annual results.

**13 Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.

The table below shows the maximum exposure to credit risk for significant components of the condensed consolidated interim statement of financial position:

	<b>30 June 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
Bank balances	<b>110,463,470</b>	93,953,258
Trade and other receivables	<b>291,813,409</b>	227,263,660
	<b>402,276,879</b>	321,216,918

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**13 Credit Risk** (continued)

Credit risk on trade receivables and bank balances is limited to the following:

Bank balances

Cash balances are held with banks having a credit rating of BBB+ and above.

Trade receivables

The Group applies the simplified approach in calculating its expected credit losses as prescribed by IFRS 9 which uses the lifetime expected loss provision on such exposures. The loss provision as at 30 June 2023 and 31 December 2022 is determined as follows:

In monitoring customer credit risk, customers are grouped according to their credit characteristics (including the type of customer such as retail, wholesale, etc), trading history with the Group and existence of previous financial difficulties. As at 30 June 2023, the exposure to credit risks for trade receivables by types of customers was as follows:

Trade receivables as at 30 June 2023 (unaudited)

1- *Thobs segment:*

<b>Debt status</b>	<b>Expected loss rate</b>	<b>Total carrying amount</b>	<b>Expected credit losses</b>
Current	1.13%	30,072,455	339,286
Past due > 30 days	1.35%	13,921,729	188,591
Past due > 60 days	1.64%	96,024,990	1,573,372
Past due > 90 days	2.07%	79,646,938	1,677,389
Past due > 120 days	3.03%	30,852,691	988,730
Past due > 180 days	5.54%	9,151,695	721,102
Past due > 270 days till 1 year	11.19%	5,437,547	608,258
Past due > 1 year till 2 years	28.65%	13,238,756	3,792,372
Default customers and others that are past due for more than two years	66.71% - 100%	95,645,954	95,540,341
		<b>373,992,755</b>	<b>105,429,441</b>

2- *Fabrics segment:*

<b>Debt status</b>	<b>Expected loss rate</b>	<b>Total carrying amount</b>	<b>Expect credit losses</b>
Current	1.24%	3,647,770	45,230
Past due > 30 days	1.46%	3,996,975	58,505
Past due > 60 days	1.61%	2,973,002	47,805
Past due > 90 days	1.86%	4,575,900	84,937
Past due > 120 days	2.46%	5,502,623	135,615
Past due > 180 days	4.05%	491,369	19,888
Past due > 270 days till 1 year	8.58%	263,707	22,632
Past due > 1 year till 2 years	22.63%	1,263,399	285,871
Default customers and others that are past due for more than two years	61.08% - 100%	2,699,150	2,617,209
		<b>25,413,895</b>	<b>3,317,692</b>
<b>Total</b>		<b>399,406,650</b>	<b>108,747,133</b>

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**13 Credit Risk (continued)**

*Trade receivables as at 31 December 2022 (Audited)*

1- *Thobs segment:*

<b>Debt status</b>	<b>Expected loss rate</b>	<b>Total carrying amount</b>	<b>Expected credit losses</b>
Current	1.23%	22,940,936	282,429
Past due > 30 days	1.48%	16,975,144	251,588
Past due > 60 days	1.81%	28,905,045	523,819
Past due > 90 days	2.32%	12,722,648	294,537
Past due > 120 days	3.42%	20,639,434	705,485
Past due > 180 days	6.34%	77,618,079	4,917,967
Past due > 270 days till 1 year	12.81%	36,675,272	4,697,707
Past due > 1 year till 2 years	30.98%	11,772,174	3,646,573
Overdue for more than two years and defaulters	71.43% - 100%	77,225,624	75,253,433
		<b>305,474,356</b>	<b>90,573,538</b>

2- *Fabrics segment:*

<b>Debt status</b>	<b>Expected loss rate</b>	<b>Gross carrying amount</b>	<b>Expect credit losses</b>
Current	1.32%	1,083,179	14,313
Past due > 30 days	1.55%	1,007,401	15,617
Past due > 60 days	1.70%	1,553,304	26,355
Past due > 90 days	1.95%	778,492	15,207
Past due > 120 days	2.59%	1,043,458	26,995
Past due > 180 days	4.23%	2,362,783	100,049
Past due > 270 days till 1 year	8.93%	2,320,781	207,327
Past due > 1 year till 2 years	23.39%	1,605,612	375,510
Overdue for more than two years and defaulters	62.66% - 100%	2,958,249	2,812,566
		<b>14,713,259</b>	<b>3,593,939</b>
<b>Total</b>		<b>320,187,615</b>	<b>94,167,477</b>

**Sensitivity analysis for future circumstances expectations as at 30 June 2023 (Unaudited)**

	<b>Value in SR</b>
Basic value for impairment losses in trade receivables	<b>108,747,133</b>
If the expectations of future circumstances increased by 10%	<b>108,784,091</b>
If the expectations of future circumstances decreased by 10%	<b>108,673,217</b>

**Sensitivity analysis for future circumstances expectations as at 31 December 2022 (Audited)**

	<b>Value in SR</b>
Basic value for impairment losses in trade receivables	94,167,477
If the expectations of future circumstances increased by 10%	94,308,370
If the expectations of future circumstances decreased by 10%	94,026,585



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**13 Credit Risk (continued)**

Movement in provision for impairment losses on trade and other receivables are as follows:

	<b>Trade receivables</b>	<b>Other receivables</b>	<b>Total</b>
<b>At 1 January 2023 (Audited)</b>	<b>94,167,477</b>	<b>695,577</b>	<b>50,038,359</b>
Charge for the period	<b>14,579,656</b>	<b>-</b>	<b>41,447,445</b>
<b>At 30 June 2023 (Unaudited)</b>	<b>108,747,133</b>	<b>695,577</b>	<b>91,485,804</b>
	<b>Trade receivables</b>	<b>Other receivables</b>	<b>Total</b>
<b>At 1 January 2022 (Audited)</b>	<b>50,038,359</b>	<b>695,577</b>	<b>50,733,936</b>
Charge for the period	<b>41,447,445</b>	<b>-</b>	<b>41,447,445</b>
<b>At 30 June 2022 (Unaudited)</b>	<b>91,485,804</b>	<b>695,577</b>	<b>92,181,381</b>

**14 Zakat related matters**

**Zakat status**

The Group is subject to zakat according to the regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. The Group files its zakat returns on consolidated basis, starting from the financial year ended 31 December 2018 and thereafter. Zakat returns were submitted up to 2022 to ZATCA. The Group also obtained a certificate of zakat valid until 21 Shawwal 1445H (corresponding to 30 April 2024).

Regarding the years from 2014 to 2018, the Group received the zakat assessments issued by the Zakat, Tax and Customs Authority, and it was objected to before the authority, then it was escalated The objection before the General Secretariat of the Zakat, Tax and Customs Committees, and on February 14, 2023, the Company received the decisions issued by The Appeal Committee, in which the committee decided to accept the appeal in form, and in the matter the appeal was rejected with the support of the decision of the adjudication committee with the exception The objection for the year 2018, in which the decision issued by the Appeal Committee supported the company's objection in part, and the company submitted a request for reconsideration in accordance with the rules governing the systems of objections and committees, and the Company has paid the due zakat differences based on the issuance of decisions of the Appeal Committee.

Regarding years 2019 and 2020, the zakat returns submitted by the Group have been examined by the Zakat, Tax and Customs Authority, and based on the notification received from the Director of the Group account with the Authority, the examination file has been closed without any additional claims.

For years 2021 and 2022, the Group received a notice from the Zakat, Tax and Customs Authority requesting additional information on the zakat returns submitted for these years.

**15 Subsequent events**

The Board of Directors held a meeting on 19 July 2023 in which it was decided to distribute 35 million Saudi riyals (0.0875 SAR per share) as dividends for the first half of the fiscal year 2023 in accordance with the authorization of the Extraordinary General Assembly to the Board of Directors to distribute interim dividends for the year 2023 that was held on 20 June 2023.

Other than what was mentioned above, in management's view, there have been no significant subsequent events since 30 June 2023 up to the approval date of the condensed consolidated interim financial statements that may have significant impact on the Group's condensed consolidated interim financial statements or on the related disclosures.

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**16 Board of directors' approval**

These condensed consolidated interim financial statements have been approved by the Board of Directors on 19 July 2023.