

AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
(A Saudi joint-stock company)
RIYADH – SAUDI ARABIA

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
SEPTEMBER 30, 2023 (UNAUDITED)

AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
(A Saudi joint-stock company)
(Riyadh – Saudi Arabia)

**Interim condensed consolidated financial statements and independent auditor's report (unaudited)
for the three-month and nine-month periods ended September 30, 2023**

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**Independent auditor's review report for
the interim condensed consolidated financial statements**

**To the Shareholders
Al Abdullatif Industrial Investment Company
(A Saudi joint-stock company)
Riyadh - Kingdom of Saudi Arabia**

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al Abdullatif Industrial Investment Company (a Saudi joint-stock company) (the "Company") and its subsidiaries (collectively referred to as the "Group") as of September 30, 2023, the interim condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended September 30, 2023, the interim condensed consolidated statements of changes in Shareholders' equity and cash flows for the nine-month period then ended, and 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 the International Accounting Standard (IAS) 34 "Interim Financial Reporting" as 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 International Standard on Review Engagements (ISRE) 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 condensed consolidated 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 approved 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 the 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 interim condensed consolidated financial statements of Al Abdullatif Industrial Investment Company and its subsidiaries as at 30 September 2023 have not been prepared in all material respects, in accordance with IAS 34 as "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia.

Riyadh on: 24 Rabi' al-Thani 1445
Corresponding to: 08 November 2023



For El Sayed El Ayouty & Co.

A. Balamesh

Abdullah A. Balamesh
Certified Public Accountant
License No. (345)

AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
(Saudi Joint-stock Company)
(Riyadh – Saudi Arabia)

Interim condensed consolidated statement of financial position as at September 30, 2023 (unaudited)
(Expressed in thousands of Saudi Riyals)

	Note	<u>30/09/2023</u> <u>(unaudited)</u>	<u>31/12/2022</u> <u>(audited)</u>
Assets			
Non-current assets			
Property, plant and equipment - net	5	468,962	472,617
Investment properties - at cost	6	87,005	87,005
Right-of-use assets - net	7.1	14,439	15,603
Investments at fair value through other comprehensive income (FVOCI)	8	102,084	102,084
Total non-current assets		672,490	677,309
Current assets			
Inventory - net		329,132	338,419
Trade receivables - net		472,956	436,998
Due from related party	9.1	51,157	43,753
Prepayments and other debit balances - net		24,236	27,855
Investment at fair value through profits or losses	10	2,117	1,765
Cash and cash equivalent		25,773	82,504
Total current assets		905,371	931,294
Total assets		1,577,861	1,608,603
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	11	812,500	812,500
Statutory reserve		241,429	241,429
Reserve of valuation of investments at fair value		11,621	11,621
Surplus of revaluation of property, plant and equipment	5	243,200	243,200
(Accumulated losses)		(91,339)	(27,275)
Total Shareholders' equity		1,217,411	1,281,475
Non-current liabilities			
Lease obligations – non-current portion	7.2.2	13,651	15,222
Employees' defined benefit obligations	12	21,111	19,889
Total non-current liabilities		34,762	35,111
Current liabilities			
Banks - credit facilities	13	247,539	222,803
Lease obligations – current portion	7.2.1	1,464	1,411
Trade payables		43,670	31,667
Due to related parties	9.2	718	157
Accrued expenses and other credit balances		16,624	15,497
Dividends payable to Shareholders		481	481
Provision for zakat	14	15,192	20,001
Total current liabilities		325,688	292,017
Total liabilities		360,450	327,128
Total Shareholders' Equity and Liabilities		1,577,861	1,608,603

The accompanying notes from (1) to (19) form an integral part of the interim condensed consolidated financial statements, which were approved by the Company's Board of Directors and signed on their behalf by the following:

Chief Financial Officer

Authorized BOD's Member

Chief Executive Officer

AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
(Saudi Joint-stock Company)
(Riyadh – Saudi Arabia)

Interim condensed consolidated statement of profit or loss and other comprehensive income
for the three-month and nine-month periods ended September 30, 2023 (unaudited)
(Expressed in thousands of Saudi Riyals)

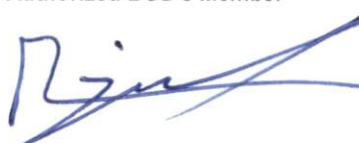
Note	For the three-month period ended on		For the nine-month period ended on	
	30/9/2023 (unaudited)	30/9/2022 (unaudited)	30/9/2023 (unaudited)	30/9/2022 (unaudited)
Revenue	117,685	142,604	381,488	492,482
Cost of revenue	(127,137)	(143,754)	(400,396)	(478,209)
Gross (loss) / profit	(9,452)	(1,150)	(18,908)	14,273
Selling and marketing expenses	(3,760)	(4,305)	(12,351)	(19,205)
General and administrative expenses	(4,283)	(4,826)	(13,114)	(13,698)
Other income	1,050	1,361	3,997	3,567
(Loss) from operating activities	(16,445)	(8,920)	(40,376)	(15,063)
Net cost of finance	(4,050)	(1,991)	(11,104)	(3,823)
Dividends income	28	-	64	35
Profits (losses) of valuation of investment at fair value through profits or losses	166	(162)	352	1,222
Net (loss) for the period before zakat	(20,301)	(11,073)	(51,064)	(17,629)
Zakat	(4,000)	(4,500)	(13,000)	(13,500)
Net (loss) for the period	(24,301)	(15,573)	(64,064)	(31,129)
Other comprehensive income:				
Items that will not be re-classified to profit or loss:				
Surplus of revaluation of property, plant and equipment 5	-	242,137	-	242,137
Other comprehensive income items	-	242,137	-	242,137
Comprehensive (loss) / income for the period	(24,301)	226,564	(64,064)	211,008
Net (loss) for the period attributable to:				
Company's Shareholders	(24,301)	(15,573)	(64,064)	(31,129)
Net (loss) for the period	(24,301)	(15,573)	(64,064)	(31,129)
Comprehensive (loss) / income for the period attributable to:				
Company's Shareholders	(24,301)	226,564	(64,064)	211,008
Comprehensive (loss) / income for the period	(24,301)	226,564	(64,064)	211,008
Basic and diluted (loss) per share attributable to the Company's Shareholders				
Net (loss) for the period "Saudi riyals" 15	(0,30)	(0,19)	(0,79)	(0,38)

The accompanying notes from (1) to (19) form an integral part of the interim condensed consolidated financial statements, which were approved by the Company's Board of Directors and signed on their behalf by the following:

Chief Financial Officer



Authorized BOD's Member



Chief Executive Officer



AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
(Saudi Joint-stock Company)
(Riyadh – Saudi Arabia)

Interim condensed consolidated statement of changes in Shareholders' equity for the nine-month periods ended September 30, 2023 (unaudited)
(Expressed in thousands of Saudi Riyals)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Reserve of valuation of investments at fair value</u>	<u>Surplus of revaluation of property, plant and equipment</u>	<u>retained earnings / (accumulated losses)</u>	<u>Total Shareholders' equity</u>
For the nine-month period ended September 30, 2022						
Balance at January 01, 2022 (audited)	812,500	241,429	7,491	-	33,483	1,094,903
Net (loss) for the period	-	-	-	-	(31,129)	(31,129)
Other comprehensive income for the period	-	-	-	242,137	-	242,137
Net (loss) for the period and other comprehensive income	-	-	-	242,137	(31,129)	211,008
Balance at September 30, 2022 (unaudited)	<u>812,500</u>	<u>241,429</u>	<u>7,491</u>	<u>242,137</u>	<u>2,354</u>	<u>1,305,911</u>
For the nine-month period ended September 30, 2023						
Balance at January 01, 2023 (audited)	812,500	241,429	11,621	243,200	(27,275)	1,281,475
Net (loss) for the period	-	-	-	-	(64,064)	(64,064)
Balance at September 30, 2023 (unaudited)	<u>812,500</u>	<u>241,429</u>	<u>11,621</u>	<u>243,200</u>	<u>(91,339)</u>	<u>1,217,411</u>

The accompanying notes from (1) to (19) form an integral part of the interim condensed consolidated financial statements, which were approved by the Company's Board of Directors and signed on their behalf by the following:

Chief Financial Officer



Authorized BOD's Member



Chief Executive Officer



AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
(Saudi Joint-stock Company)
(Riyadh – Saudi Arabia)

Interim condensed consolidated statement of cash flows for the nine-month period ended September 30, 2023 (unaudited)
(Expressed in thousands of Saudi Riyals)

	For the nine-month period ended on	
	30/09/2023	30/09/2022
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) for the period	(64,064)	(31,129)
Adjustment for net (loss) for the period:		
Dividends income	(64)	(35)
Depreciation on property, plant and equipment	36,420	34,767
Profits from sale of property, plant and equipment	(33)	(385)
Depreciation on right-of-use assets	1,164	1,167
Profits of valuation of investments at fair value through profits or losses	(352)	(1,222)
Interests on bank facilities	10,490	3,165
Interests on leases	614	664
Impairment of inventory	612	809
Impairment of trade receivables	1,000	1,500
Impairment of prepayments and other debit balances	1,000	-
Employees' defined benefit obligations	5,459	3,929
Provisions reversal	-	(378)
Zakat	13,000	13,500
	5,246	26,352
Changes during the period in:		
Inventory	8,675	(15,896)
Trade receivables	(36,958)	(37,044)
Due from related party	(7,404)	(6,264)
Prepayments and other debit balances	2,619	7,864
Trade payables	12,003	5,426
Due to related parties	561	(72)
Accrued expenses and other credit balances	1,127	3,292
Provision for zakat paid	(17,809)	(21,769)
Employees' defined benefit obligations paid	(4,237)	(2,439)
Net cash flows (used in) operating activities	(36,177)	(40,550)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(32,765)	(44,831)
Proceeds from disposal of property, plant and equipment	33	552
Dividends income	64	35
Purchase of investments at FVTOCI	-	(1,575)
Proceeds from disposal of investments at FVTPL	-	8,200
Net cash flows (used in) investment activities	(32,668)	(37,619)
Cash flows from financing activities		
Finance obtained from banks - credit facilities	244,712	186,241
Finance from banks - credit facilities paid	(230,466)	(155,546)
Lease liabilities paid	(2,132)	(2,077)
Net cash flows from financing activities	12,114	28,618
Net decrease in cash and cash equivalent	(56,731)	(49,551)
Cash and cash equivalents at beginning of the period	82,504	72,430
Cash and cash equivalents at end of the period	25,773	22,879
Supplemental information on non-cash transactions		
Surplus of revaluation of property, plant and equipment	-	242,137

The accompanying notes from (1) to (19) form an integral part of the interim condensed consolidated financial statements, which were approved by the Company's Board of Directors and signed on their behalf by the following:

Chief Financial Officer

Authorized BOD's Member

Chief Executive Officer

AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
(Saudi Joint-stock Company)
(Riyadh – Saudi Arabia)

Notes to the Interim condensed consolidated financial statements for the nine-month period ended September 30, 2023 (unaudited)

(Expressed in thousands of Saudi Riyals)

1. General information

1.1 Al Abdullatif Industrial Investment Company ("the company") is a Saudi joint-stock company incorporated in accordance with the Saudi Companies Law pursuant to Ministerial Resolution No. 3120 on 23/10/1427H (14/11/2006) and Ministerial Resolution No. 188 on 27/12/1427H (17/01/ 2007), upon which the Company received the approval to convert from a limited liability to a Saudi joint-stock company. The Company is registered in the commercial registration of Riyadh under No. 1010073685 on 26/02/1410H (26/09/1989) valid until 25/2/1447H (19/08/2025). The mailing address of the Company's head office is: Riyadh, P.O. Box 859, Postal Code 11421.

1.2 Main activities of the Company

Floor rug manufacturing including (prayer and travel rugs) and carpet manufacturing under industrial license No. 411 on 13/2/1439H.

1.3 The interim condensed consolidated financial statements as of September 30, 2023 include the interim condensed consolidated financial statements of the Parent Company and the following subsidiaries, collectively referred to as the "Group":

<u>Name of subsidiary</u>	<u>Legal form</u>	<u>Headquarters</u>	<u>Principal activity</u>	<u>Shareholding</u> <u>%</u>
National Spinning Company	LLC	Riyadh	Yarn production	100%
Eastern Textiles Company	LLC	Riyadh	Polypropylene yarn production	100%
Western Textiles Company	LLC	Riyadh	Polypropylene yarn production	100%
Adfa Blanket Company	LLC	Riyadh	Production of blankets	100%
Nadeen Arabian Color Company	LLC	Riyadh	Masterbatch production	100%
Shahd Paper Tube Factory	LLC	Riyadh	PVC tubes	100%
First Carpet Company	LLC	Riyadh	Carpet backing production	100%
Retaj Al Waseel Company	LLC	Riyadh	Staff catering and transportation services	100%
Abdullatif Training Institute	LLC	Riyadh	Training services	100%

1.4 The Group's fiscal year begins on January 1st and ends on December 31st of each calendar year. The interim condensed consolidated presented financial statements are for the period from January 01, 2023 to September 30, 2023.

1.5 New Companies Law

Pursuant to Royal Decree No. M/132 dated 01/12/1443 H corresponding to 30/06/2022, the new Companies Law was approved, which will enter into force on 26/06/1444 H corresponding to 19/01/2023. The new Companies Law replaces the old one issued by Royal Decree No. M/3 dated 28/01/1437 H and cancels all provisions that conflict with it. When the new Companies Law comes into force, the existing companies must rectify their situation in accordance with its provisions within a period not exceeding two years starting from the date the Law goes into effect. The Management studies latest developments of the law to benefit from its advantages while committing to adjusting the Company's situation as per the provisions of the law during the specified grace period.

2. Basis of preparation of interim condensed consolidated financial statements

2.1 Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" that is endorsed in Saudi Arabia and other standards by the Saudi Organization for Auditors and Accountants.

These interim condensed consolidated financial statements do not include all the information and notes required for the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statement for the year ended December 31, 2022.

Notes to the Interim condensed consolidated financial statements for the nine-month period ended September 30, 2023 (unaudited)
(Expressed in thousands of Saudi Riyals)

2. Basis of preparation of interim condensed consolidated financial statements ...(continued)

2.2 Basis for consolidation of financial statements

The interim condensed consolidated financial statements include the financial statements of the Parent Company and all subsidiaries, collectively referred to as the "Group". The interim condensed consolidated financial statements present financial information about the Group as a single economic entity at the same reporting date of the Parent Company, using consistent accounting policies.

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities. Control is presumed to exist over the subsidiary when the Company owns, directly or indirectly, more than half of the voting power of an investee unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. Control also exists when the Company owns half or less of the voting power of an investee but has other power to govern the financial and operating policies of the entity.

The assets, liabilities and results of the subsidiaries are consolidated in full from the date of acquisition, being the date when control is transferred to the Group. Consolidation continues until the date of such control ceases.

The Group applies the acquisition method to account for business combinations.

Inter-company transactions, balances, income, expenses, unrealized gains and losses on transactions and dividends are eliminated in full.

2.3 Basis of measurement

The interim condensed consolidated financial statements have been prepared in accordance with the accrual basis of accounting and the going concern principle, and on the basis of the historical cost principle except for financial assets that are measured at fair value and financial liabilities that are measured at the present value of future liabilities projections using the projected unit credit method.

2.4 Presentation currency

These interim condensed consolidated financial statements are presented in Saudi Riyals ("SR") which is the functional and presentation currency. All figures in the interim condensed consolidated financial statements have been rounded to nearest thousand Riyals unless otherwise stated.

2.5 Use of judgments, estimates and assumptions

The preparation of these financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenue, expenses, assets, liabilities, and disclosures of contingent liabilities at the reporting date. Although these estimates are based on the best current information and indicators available to Management, the final actual results, however, may differ from these estimates.

These estimates and assumptions are reviewed on an ongoing basis, and the effects arising from adjustment of the accounting estimates are recognized in the period in which such adjustment is made and the subsequent periods. The assumptions and estimates are particularly represented in the application of accounting policies that have significant impact on the amounts recognized in the financial statements.

The significant judgments made by Management in applying the Group's accounting policies and the significant sources of estimation uncertainties were the same as those applied to the consolidated financial statements for the year ended December 31, 2022.

Notes to the Interim condensed consolidated financial statements for the nine-month period ended September 30, 2023 (unaudited)
(Expressed in thousands of Saudi Riyals)

3. Significant accounting policies

The accounting policies applied to these interim condensed consolidated financial statements are the same as those applied to the consolidated financial statements for the year ended 31 December 2022.

4. Changes in significant accounting policies and new standards

4.1 New and revised IFRS Standards that are applicable and have no significant impact on the interim condensed consolidated financial statements:

No new IFRS standards have been applied; however, a number of IFRS amendments are effective as of January 1, 2023 but have no significant impact on the the Group's interim condensed consolidated financial statements. The following is a summary of the amendments applied by the Group:

Standard - Interpretation	Description	Effective date
IAS 1	Disclosure initiative: Accounting policies (IFRS Practice Statement 2 "Making Materiality Judgments")	01 January 2023
IAS 8	Amendments to "Accounting Policies" and changes in accounting estimates and errors related to definition of accounting estimates	01 January 2023
IAS 12	Amendments to "Income Taxes" of deferred Tax related to Assets and Liabilities arising from a Single Transaction	01 January 2023
IFRS 17	Amendments to initial application of insurance contracts	01 January 2023

4.2 New and revised IFRS not yet effective and not applicable:

The following are standards and interpretations issued and not yet effective and not applicable as of the date of the interim condensed consolidated financial statements.

Standard - Interpretation	Description	Effective date
IAS 1	Amendments to "Presentation of Financial Statements" to clarify classification of liabilities as current or non-current	01 January 2024
IFRS 16	Amendments to the Leases Standard relating to sale and leaseback transactions and the assessment of whether a transfer of assets is a sale.	01 January 2024

AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
(Saudi Joint-stock Company)
(Riyadh – Saudi Arabia)

Notes to the Interim condensed consolidated financial statements for the nine-month period ended September 30, 2023 (unaudited)

(Expressed in thousands of Saudi Riyals)

5. Property, plant and equipment – net

	<u>Lands *</u>	<u>Buildings and roads **</u>	<u>Plant, equipment and main spare parts</u>	<u>Vehicles</u>	<u>Furniture, fixture and office equipment</u>	<u>Capital work in progress***</u>	<u>Total</u>
Cost:							
Balance at 1 January 2023	10,625	220,598	1,819,892	33,570	110,352	6,397	2,201,434
Additions during the period	-	-	5,039	295	711	26,720	32,765
Transfers	-	-	863	-	-	(863)	-
Disposals	-	-	-	(118)	-	-	(118)
Balance at 30 September 2023	10,625	220,598	1,825,794	33,747	111,063	32,254	2,234,081
Accumulated depreciation:							
Balance at 1 January 2023	-	(207,059)	(1,620,561)	(32,969)	(105,828)	-	(1,966,417)
Depreciation for the period	-	(2,914)	(31,372)	(605)	(1,529)	-	(36,420)
Disposals	-	-	-	118	-	-	118
Balance at 30 September 2023	-	(209,973)	(1,651,933)	(33,456)	(107,357)	-	(2,002,719)
Provision for accumulated impairment:							
Balance at 1 January 2023	-	-	(5,600)	-	-	-	(5,600)
Balance at 30 September 2023	-	-	(5,600)	-	-	-	(5,600)
Revaluation surplus							
Balance at 1 January 2023	243,200	-	-	-	-	-	243,200
Balance at 30 September 2023	243,200	-	-	-	-	-	243,200
Net book value as at 30 September 2023							
As per the cost model	-	10,625	168,261	291	3,706	32,254	215,137
As per the revaluation model*	253,825	-	-	-	-	-	253,825
As at 30 September 2023	253,825	10,625	168,261	291	3,706	32,254	468,962
As of 31 December 2022	253,825	13,539	193,731	601	4,524	6,397	472,617

Notes to the Interim condensed consolidated financial statements for the nine-month period ended September 30, 2023 (unaudited)
(Expressed in thousands of Saudi Riyals)

5. Property, plant and equipment - net (continued)

* Based on the decision of the Board of the Capital Market Authority on December 31, 2019 to allow the listed companies to use the option of the revaluation model to measure property and investment properties starting from the year 2022, the Group has implemented and approved the use of the revaluation model for the properties included under the item of property, plant and equipment. It was approved by the Board of Directors upon the recommendation of the Audit Committee to approve the policy at its meeting held on May 8, 2022 . It evaluated the land located in the Industrial City in Riyadh by valuers approved by the Saudi Authority for Accredited Valuers, and the most recent valuation results as at 31 December 2022 were as follows:

<u>Valuation company</u>	<u>Valuer</u>	<u>License No.</u>	<u>Basis for valuation</u>	<u>Valuation amount "in thousands SR"</u> <u>31 December 2022</u>
Hessab Real Estate Valuation Company	Fawaz Abdullah AlSharkh	1210001262	Comparable market value	253,825
Current Value Real Estate Valuation Company	Abdulkarim AlBaseer	1210000606	Comparable market value	281,733

The lowest valuation has been adopted in accordance with the conditions set by the Financial Market Authority when using the revaluation model.

** Some of the above-mentioned buildings are built on land leased from the Saudi Authority for Industrial Cities and Technology Zones (Modon) in the Second Industrial City, Riyadh, based on contract ending between 2028-2040.

*** Capital work in progress represents the value of buildings, plant and equipment during the construction and installation phase.

	<u>30/09/2023</u> <u>(unaudited)</u>	<u>31/12/2022</u> <u>(audited)</u>
6. Investment properties - at cost		
Lands*	87,005	87,005

* Investment properties represent the following:

(a) A real estate contribution to a land in Madinah at a cost of SR50 million Riyals (for the purpose of generating revenue or capital profit) at a rate of %14.58 land sharing contract between the Company and one of the local investment property companies under which the title deed was registered. It is also entitled to sell or dispose of the land without consulting the Company. In that case the sale value and profits are divided according to the participation percentage immediately after the sale.

The Group's share in its fair value as at December 31, 2022 amounted to SR53.57 million riyals (2021: SR58.03 million) according to the valuation of this land by (The Current Value Real Estate Valuation Company, license No. 1210000606) as an approved valuer.

(b) A land in Khobar City purchased in 2015 at a cost of SR37 million riyals to establish a regional sales center targeting the Eastern Province and the GCC countries. It was included in that reflects 2021 years under property, plant and equipment. During 2021 and due to the economic conditions and the covid-19 impact, the Management put off the establishment of the center and decided to classify the land as investment property and lease it to generate additional income for the Group.

Its fair value as per the most recent valuation as of 31 December 2022 amounted to SR42.3 million (2021: SR42.1 million), as per the valuation made by (Current Value Real Estate Valuation Company, license number: 1210000606) as an accredited valuer.

Notes to the Interim condensed consolidated financial statements for the nine-month period ended September 30, 2023 (unaudited)
(Expressed in thousands of Saudi Riyals)

7. Leases

7.1 Right-of-use assets – net

	<u>30/09/2023</u> <u>(unaudited)</u>	<u>31/12/2022</u> <u>(audited)</u>
Right-of-use lands		
Cost:		
Balance at beginning of the period/year	21,687	21,714
Disposal of contracts	-	(27)
Balance at end of the period/ year	21,687	21,687
Accumulated depreciation:		
Balance at beginning of period/year	6,084	4,556
Depreciation for the period / year	1,164	1,554
Disposals	-	(26)
Balance at end of the period/ year	7,248	6,084
Net carrying amount at end of the period / year	14,439	15,603

7.2 Lease liabilities

	<u>30/09/2023</u> <u>(unaudited)</u>	<u>31/12/2022</u> <u>(audited)</u>
Balance at beginning of period/year	16,633	17,954
Less: Paid during the period/year	(2,132)	(2,206)
Less: Disposal	-	(1)
Charged to finance cost	614	886
Present value of obligations	15,115	16,633

Lease obligations are presented in the statement of financial position based on the current portion - within the current liabilities (which represents the payable portion within a year) and the non-current portion - within the non-current liabilities (which represents the remaining liability less the current portion) as follows:

	<u>30/09/2023</u> <u>(unaudited)</u>	<u>31/12/2022</u> <u>(audited)</u>
7.2.1 Lease liabilities - current portion	1,464	1,411
7.2.2 Lease liabilities - non-current portion	13,651	15,222
	15,115	16,633

8. Investments at fair value through other comprehensive income (FVOCI)

<u>Unquoted investments</u>	<u>Legal form</u>	<u>Headquarters</u>	<u>Shareholding</u> <u>%</u>	<u>30/09/2023</u> <u>(unaudited)</u>	<u>31/12/2022</u> <u>(audited)</u>
Red Sea Cables Company *	Saudi closed joint stock company	Riyadh	27%	57,300	57,300
Al-Reef Sugar Refining Company **	Saudi closed joint stock company	Jeddah	15%	44,784	44,784
				102,084	102,084

	<u>30/09/2023</u> <u>(unaudited)</u>	<u>31/12/2022</u> <u>(audited)</u>
Movement of changes in fair value was as follows:		
Balance at beginning of the period/year	102,084	94,804
Additions during the period/year	-	3,150
Profits from revaluation of investments at fair value	-	4,130
Fair value at end of the period / year	102,084	102,084

Notes to the Interim condensed consolidated financial statements for the nine-month period ended September 30, 2023 (unaudited)
(Expressed in thousands of Saudi Riyals)

8. Investments at fair value through other comprehensive income (FVOCI)...(continued)

* The cost of investment in the Red Sea Cables Company amounted to SR 50 million.

** The investment cost in Al-Reef Sugar Refining Company amounted to SR49.7 million after the Group's share in the capital increase of Al-Reef Sugar Refining Company, which was set at a percentage of 10.5%, was paid off, according to the extraordinary general assembly decision of Al-Reef Sugar Refining Company on December 4, 2022.

- The Group does not have any control or significant influence over participation in the financial and operational decisions of the investees.

The aforementioned fair value is valued as at December 31, 2022 by Yazeed Abdulwahab Abdullah Al-Abdulwahab Valuation Office, an accredited valuer, license No. (4012000042) (2021: Ahmed Mohammad Abdullah Al-Farraj Office for Valuation of Economic Enterprises - license No. 4112000053). The Management has not conducted a revaluation during the nine month period ended September 30, 2023 because it believes that the fair value of investment has not changed.

-Note 17 includes information on fair value.

9. Related party transactions

9.1 Due from related party

Related parties	Nature of relationship	30/09/2023 (unaudited)	31/12/2022 (audited)
Al Abdullatif Furniture Company	Related to one of the directors of the Board	51,157	43,753

9.2 Due to related parties

Related parties	Nature of relationship	30/09/2023 (unaudited)	31/12/2022 (audited)
Natural Gas Distribution Company	Related to one of the directors of the Board	-	150
Red Sea Cables Company	Related to one of the directors of the Board	718	7
		718	157

9.3 Significant transactions with related parties

Related parties	Nature of relationship	Type and volume of related party transactions		
		Sales and services rendered	Purchases and services received	Payments and repayments
Al Abdullatif Furniture Company	Related to one of the directors of the Board	28,832	(195)	(21,233)
Red Sea Cables Company	Related to one of the directors of the Board	45	(764)	8
Natural Gas Distribution Company	Related to one of the directors of the Board	-	(1,953)	2,103

9.4 Board of directors members compensation

The General Assembly resolved in its meeting held on 02/12/1444 (20/06/2023) to pay four Directors of the Board an amount of SR100 thousand each as a remuneration for the financial year ended 31/12/2022. The remaining directors waived their remuneration for the year ended 31/12/2022.

AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
(Saudi Joint-stock Company)
(Riyadh – Saudi Arabia)

Notes to the Interim condensed consolidated financial statements for the nine-month period ended September 30, 2023 (unaudited)
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	<u>30/09/2023</u> <u>(unaudited)</u>	<u>31/12/2022</u> <u>(audited)</u>
10. investment at FVTPL		
Balance at beginning of period/year	1,765	8,950
Profits from revaluation of investments at fair value	352	1,015
Disposals through sale	-	(8,200)
Balance at end of the period/ year	2,117	1,765

* Investments represent shares of a listed company (Saudi Arabian Oil Company – Aramco) with less than 1% of the share capital of the investee. The number of shares in the investee company as at September 30, 2023 were 60.500. The fair value was measured according to the quoted share price as at September 30, 2023. Profits or losses of valuation have been recognized through profits or losses.

	<u>30/09/2023</u> <u>(unaudited)</u>	<u>31/12/2022</u> <u>(audited)</u>
11. Share capital		
Balance at end of the period/ year	812,500	812,500

The Company's share capital is SR812,500 thousand divided into 81,250 thousand shares at a nominal value of SR10 each. The Shareholders subscribed to the entire share capital of the Company. There were no changes in the share capital during the current financial year.

12. Employee defined benefit obligations

The Group operates a defined end-of-service plan for its employees in line with the Labor Law requirements in the Kingdom of Saudi Arabia. The EOS payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment. Employee benefit plans are unfunded plans and the Group meets benefit payment obligations when they fall due. The movement during the period was as follows:

	<u>30/09/2023</u> <u>(unaudited)</u>	<u>31/12/2022</u> <u>(audited)</u>
Balance at beginning of period/year	19,889	16,836
Cost of current service	5,459	6,162
Paid during the period/year	(4,237)	(6,000)
Actuarial losses "charged to other comprehensive income"	-	2,891
Balance at end of the period/ year	21,111	19,889

The Group performed an actuarial valuation of employee future benefits on December 31, 2022. It has recognized the impact of that valuation. The Group's Management has not carried out an actuarial valuation of the employee benefit obligations during the nine-month period ended September 30, 2023, as it expects that there will be no significant changes in the present value of the obligations.

	<u>30/09/2023</u> <u>(unaudited)</u>	<u>31/12/2022</u> <u>(audited)</u>
13. Banks - credit facilities		
Business facility finance and short-term Murabaha	252,366	226,341
Less : Deferred finance commissions	(4,827)	(3,538)
	247,539	222,803

- Through facility agreements signed with local banks, the Group received short-term facilities at a credit limit amounting to SR 516.75 million for the following purposes:

Notes to the Interim condensed consolidated financial statements for the nine-month period ended September 30, 2023 (unaudited)
(Expressed in thousands of Saudi Riyals)

13. Banks - credit facilities...(continued)

- Financing the purchase and imports of raw materials for production
- Financing the operational cycle of the Company and working capital
- Purchase of materials via the open account of Sabic Company
- Letters of credit and guarantees
- Hedging from foreign currency risks
- Murabaha and Tawarruq

The above are under the following guarantees:

- Promissory notes with maximum amount of the facilities
- Agreement to finance Islamic trade
- Main hedge agreement

14. Zakat provision

14.1 Calculation of zakat

The Group submits a consolidated zakat return for the entire Group (the Parent Company and its subsidiaries) as per the consolidated financial statements:

	<u>30/09/2023</u> <u>(unaudited)</u>	<u>31/12/2022</u> <u>(audited)</u>
14-2 Movement in zakat provision:		
Balance at beginning of the period/year	20,001	21,770
Paid during the period/year	(17,809)	(21,769)
Provided for during the period / year	13,000	20,000
Balance at end of the period/ year	15,192	20,001

14.3 Zakat status

The Group submitted its zakat return for the year ended 31/12/2022 and received a zakat certificate valid until April 30, 2024.

- The Group has finalized its Zakat status with the Zakat, Tax, and Customs Authority until 2018. The Zakat, Tax, and Customs Authority amended the zakat returns for the years 2019 and 2020, resulting in zakat differences totaling SR 9.26 million. The Group filed an objection regarding these differences and paid 25% of the objected differences in accordance with to the Zakat regulations for accepting objections. The Violations and Tax Disputes Committee issued its decision confirming the zakat differences, and the Group filed an objection with the Appellate Committee for Violations and Tax Disputes, and the objection is still under review.

14.4 Value Added Tax

The Group submits consolidated VAT returns every month.

15. Earnings loss per share

The basic loss per share was calculated by dividing the net loss attributable to the Shareholders of the Company by the weighted average number of issued shares. The diluted loss per share equaled the basic loss per share as follows:

	<u>30/09/2023</u> <u>(unaudited)</u>	<u>30/09/2022</u> <u>(audited)</u>
Net loss attributable to Company's Shareholders	(64,064)	(31,129)
Weighted average number of shares issued "in thousand of shares"	81,250	81,250
Basic and diluted loss per share attributable to the Company's Shareholders	(0,79)	(0,38)

Notes to the Interim condensed consolidated financial statements for the nine-month period ended September 30, 2023 (unaudited)
(Expressed in thousands of Saudi Riyals)

16. Segment information

The Group's operating segments are represented in two main sectors (the carpet, rugs and related products sector, and the blankets sector). Below is a summary of some of the financial information for the primary business sectors for the nine-month period ended September 30, 2023 (compared to the nine-month period ended September 30, 2022).

For the nine-month period ended September 30, 2023 (unaudited)

Description / Sector	<u>carpet, rugs and related products</u>	<u>Blankets</u>	<u>Total</u>
Revenue	335,725	45,763	381,488
Cost of revenue	(359,879)	(40,517)	(400,396)
Gross (loss)	(24,154)	5,246	(18,908)
Net (loss) for the period	(65,103)	1,039	(64,064)
Property, plant and equipment - net	445,285	23,677	468,962
Total assets	1,412,959	164,902	1,577,861
Total liabilities	353,653	6,797	360,450

For the nine-month period ended September 30, 2022 (unaudited)

Revenue	432,182	60,300	492,482
Cost of revenue	(418,665)	(59,544)	(478,209)
Gross profit	13,517	756	14,273
Net (loss) for the period	(28,391)	(2,738)	(31,129)
Property, plant and equipment - net	452,258	28,360	480,618
Total assets	1,445,990	151,775	1,597,765
Total liabilities	281,093	10,761	291,854

17. Financial instruments and risk management

The Group's activities are exposed to various financial risks including: Liquidity risk, credit risk, and market risk (include currency risk, fair value risk, cash flow of commission rate and price risk). The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Group's financial instruments comprise financial assets (cash and cash equivalents, trade receivables, investments at fair value through profit or loss, and other receivables) and financial liabilities (banks - credit facilities, trade payables and other payables) and include the following risks:

17.1 Liquidity risks

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. The Group manages and monitors liquidity risks on a regular basis to ensure that sufficient funds are available through bank facilities to meet any future commitments.

The Group's sales conditions stipulate that payments are to be made in cash upon delivery of the goods or on a credit based on defined credit terms.

All current liabilities are expected to be settled within 12 months as of the date of the financial statements.

17.2 Credit risks

A credit risk refers to the risk that a customer or a counter party in a financial instrument will default on its contractual obligations resulting in financial loss to the Group and arises principally from the cash at banks and receivables. The Group minimizes credit risks associated with receivables by establishing procedures for credit limits for each customer and monitoring outstanding receivables in line with a set of procedures and policies. Cash is deposited with high credit rated banks.

Notes to the Interim condensed consolidated financial statements for the nine-month period ended September 30, 2023 (unaudited)

(Expressed in thousands of Saudi Riyals)

17. Financial instruments and risk management...(continued)

17.3 Market risk

Market risk is the risk of fluctuations in a financial instrument due to changes in prevailing market prices such as foreign exchange rates, interest rates, and equity rates, which affect the Group's income or the value of its financial instruments. Market risk management aims to manage and control market risk exposure within acceptable parameters while maximizing returns.

The Group is exposed to the following market risks:

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates affecting foreign currency payments and receipts along with assessment of assets and liabilities in foreign currencies. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Management regularly monitors changes in foreign exchange rates and manages the impact on the financial statements.

Fair value risk

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. Since the Group's financial statements are prepared under the historical cost in which case differences may arise between the carrying amount and the fair value estimates. The Group's Management believes that the fair value of financial assets and liabilities approximate book balances.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring fair value, the Group uses observable market information whenever possible. Fair values are categorized into different levels in the fair value hierarchy based on the inputs used in the valuation methods as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices that are included in Level 1 and are observable for the assets or liabilities directly (such as prices) or indirectly (derived from prices).

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of the asset or liability fall into different levels of the hierarchy, the fair value measurement is categorized entirely in the same level of the fair value hierarchy as the lowest level input is considered material to the full measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period in which the change occurred. During the period there were no transfers between the fair value levels of Level 1 and Level 2.

Where the Group's financial instruments are grouped according to the historical cost principle, except for investments and derivative financial instruments charged at the fair value, differences may arise between the carrying amount and the fair value estimates. The management believes that the fair value of the Group's financial assets and liabilities are not materially different from their carrying amount.

The financial assets measured at fair value are as follows:

Assets	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments at fair value through other comprehensive income		-	102,084	102,084
Investments at fair value through profits or losses	2,117	-	-	2,117
Total assets at fair value	2,117	-	102,084	104,201

Notes to the Interim condensed consolidated financial statements for the nine-month period ended September 30, 2023 (unaudited)

(Expressed in thousands of Saudi Riyals)

17. Financial instruments and risk management...(continued)

17.3 Market risk...(continued)

Interest rate risk (currencies)

Interest rate risk (commissions) represents the risk related to the effects of fluctuations in interest rates (commissions) prevailing in the market on the Group's financial position and its cash flows.

Commodity price risk

Commodity price risk is the risk associated with changes to the prices of certain commodities to which the Group is exposed as a result of adverse impact on the Group's costs and cash flows. The commodity price risks arise from the expected purchases of certain commodities made of raw materials used by the Group.

18. Subsequent events

Management believes that there are no subsequent significant any events as of the date of the interim condensed consolidated statement of financial position at September 30, 2023 until the date of approval of these financial statements that may have a material impact on the interim condensed consolidated financial statements.

19. Approval of interim condensed consolidated financial statements

The interim condensed consolidated financial statements for the period ended September 30, 2023 were approved by the Group's Board of Directors on Rabi Al-Thani 24, 1445H (Corresponding November 08, 2023).