

AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
(A SAUDI JOINT-STOCK COMPANY)
RIYADH – KINGDOM OF SAUDI ARABIA

**INDEPENDENT AUDITOR'S REVIEW REPORT AND
INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS (UNAUDITED) FOR THE THREE-MONTH AND
SIX-MONTH PERIODS ENDED JUNE 30, 2022**

AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
(A Saudi Joint-Stock Company) Riyadh – Kingdom of Saudi Arabia

**Independent auditor's review report and interim condensed consolidated financial statements
(unaudited) for the three-month and six-month periods ended June 30, 2021**

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Professional LLC
Paid Capital One Million Saudi Riyals
C.R. No. 4030291245
122, Prince Faisal Bin Turki St.
Creativity Commercial Center
Al Murabba District
P.O. Box 489, Riyadh 11411
Kingdom of Saudi Arabia
T: 011 406 1811 / 408 1801
F: 011 406 1836
Head Office - Jeddah
www.elayouty.com

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 June 30, 2022, the interim condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month periods ended June 30, 2022, the interim condensed consolidated statements of changes in shareholders' equity and cash flows for the three-month and six-month periods then ended, and a summary of significant accounting policies.

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 that 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 have not been prepared in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Riyadh: Muharram 24, 1444 H.
August 22, 2022 G.



For El Sayed El Ayouty & Co.



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

AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
(A Saudi Joint-Stock Company) Riyadh – Kingdom of Saudi Arabia

Interim condensed consolidated statement of financial position as at June 30, 2022 (unaudited)

(All amounts expressed in thousands of Saudi Riyals)

	Note	30/06/2022 (unaudited)	31/12/2021 (audited)
Assets			
Non-current assets			
Property, plant and equipment - net	5	239,519	228,584
Investment properties - at cost	6	87,005	87,005
Right-of-use assets - net	7.1	16,379	17,158
Investments at fair value through other comprehensive income (FVOCI)	8	96,379	94,804
Total non-current assets		439,282	427,551
Current assets			
Inventory - net		342,804	350,288
Trade receivables - net		438,267	410,596
Due from related parties	9.1	47,112	41,353
Prepayments and other debit balances		43,715	41,275
Investments at fair value through profits or losses	10	2,134	8,950
Cash and cash equivalents		25,589	72,430
Total current assets		899,621	924,892
Total assets		1,338,903	1,352,443
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		7,491	7,491
Retained earnings		17,926	33,483
Total Shareholders' equity		1,079,346	1,094,903
Non-current liabilities			
Lease obligations – non-current portion	7.2.2	15,931	16,639
Employees' defined benefit obligations	12	17,939	16,836
Total non-current liabilities		33,870	33,475
Current liabilities			
Banks - credit facilities	13	128,257	152,951
Lease obligations – current portion	7.2.1	1,378	1,315
Trade payables		68,234	30,631
Due to related parties	9.2	-	147
Accrued expenses and other credit balances		18,336	16,770
Dividends payable		481	481
Provision for zakat	14	9,001	21,770
Total current liabilities		225,687	224,065
Total liabilities		259,557	257,540
Total Shareholders' Equity and Liabilities		1,338,903	1,352,443


Chief Financial Officer


Authorized BOD's Member


Chief Executive Officer

The accompanying notes (1) to (20) form an integral part of these interim condensed consolidated financial statements (unaudited)

AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
(A Saudi Joint-Stock Company) Riyadh – Kingdom of Saudi Arabia

Interim condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month periods ended June 30, 2022 (unaudited)

(All amounts expressed in thousands of Saudi Riyals)

	Note	For the three-month period ended		For the six-month period ended	
		30/6/2022	30/6/2021	30/6/2022	30/6/2021
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue		168,229	150,907	349,878	305,011
Cost of revenue		(157,705)	(133,177)	(336,456)	(277,718)
Gross profit		10,524	17,730	13,422	27,293
Selling and marketing expenses		(7,524)	(4,140)	(14,900)	(8,863)
General and administrative expenses		(4,134)	(5,119)	(8,872)	(9,762)
Other income		2,707	1,441	4,206	3,993
(Loss) profit from operating activities		1,573	9,912	(6,144)	12,661
Net cost of finance		(1,018)	(204)	(1,832)	(670)
Dividends income		17	88	35	176
Profits (losses) of valuation of investments at fair value through profits or losses	10	(21)	(225)	1,384	25
Net (loss) profit for the period before Zakat		551	9,571	(6,557)	12,192
Zakat	14	(4,000)	(4,550)	(9,000)	(11,550)
Net (loss) profit for the period		(3,449)	5,021	(15,557)	642
Other comprehensive income:					
Other comprehensive income items		-	-	-	-
Comprehensive (loss) income for the period		(3,449)	5,021	(15,557)	642
Net (loss) income for the period attributable to:					
Company's Shareholders		(3,449)	5,021	(15,557)	642
Net (loss) profit for the period		(3,449)	5,021	(15,557)	642
Basic and diluted earnings (loss) attributable to Company's Shareholders of net (loss) for the period in Saudi Riyals	15	(0.04)	0.06	(0.19)	0.01


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AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
(A Saudi Joint-Stock Company) Riyadh – Kingdom of Saudi Arabia

Interim condensed consolidated statement of changes in shareholders' equity for the three-month and six-month periods ended June 30, 2022 (unaudited)

(All amounts expressed in thousands of Saudi Riyals)

	Share capital	Statutory reserve	Reserve for valuation of investment at fair value	Retained earnings	Total Shareholders' equity
For the six-month period ended June 30, 2021					
Balance at January 01, 2021 (audited)	812,500	241,429	(4,538)	82,314	1,131,705
Net profit for the period	-	-	-	642	642
Balance at June 30, 2021 (unaudited)	812,500	241,429	(4,538)	82,956	1,132,347
For the six-month period ended June 30, 2022					
Balance at January 01, 2022 (audited)	812,500	241,429	7,491	33,483	1,094,903
Net (loss) for the period	-	-	-	(15,557)	(15,557)
Balance at June 30, 2022 (unaudited)	812,500	241,429	7,491	17,926	1,079,346


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AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
(A Saudi Joint-Stock Company) Riyadh – Kingdom of Saudi Arabia


Interim condensed consolidated statement of cash flows for the three-month and six-month periods ended June 30, 2022 (unaudited)

(All amounts expressed in thousands of Saudi Riyals)

	30/06/2022 (unaudited)	30/06/2021 (unaudited)
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net (loss) profit for the period	(15,557)	642
Adjustment for net (loss) profit for the period:		
Dividends income	(35)	(176)
Depreciation on property, plant and equipment	23,306	23,178
Gains on disposal of property, plant and equipment	(385)	(1,112)
Depreciation on right-of-use assets	779	794
Profits of valuation of investments at fair value through profits or losses	(1,384)	(25)
Interests on bank facilities	1,395	555
Interests on leases	443	451
Impairment of trade receivables	1,000	1,600
Employees' defined benefit obligations	2,793	3,276
Provisions reserved	-	(189)
Zakat	9,000	11,550
	21,355	40,544
Changes during the period in:		
Inventory	7,484	(62,425)
Trade receivables	(28,671)	(20,705)
Due from related parties	(5,759)	2,594
Prepayments and other debit balances	(2,440)	(25,039)
Trade payables	37,603	32,230
Due to related parties	(147)	(185)
Accrued expenses and other credit balances	1,566	(3,110)
Provision for zakat paid	(21,769)	(25,569)
Employees' defined benefit obligations paid	(1,690)	(1,759)
Net cash flows from (used in) operating activities	7,532	(63,424)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of property, plant and equipment	(34,408)	(3,755)
Proceeds from disposal of property, plant and equipment	552	2,151
Dividends income	35	176
Purchase of investments at FVTOCI	(1,575)	-
Proceeds from disposal of investments at FVTPL	8,200	-
Net cash flows (used in) investing activities	(27,196)	(1,428)
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Finance obtained from banks - credit facilities	128,171	100,183
Finance from banks - credit facilities paid	(154,260)	(81,856)
Lease liabilities paid	(1,088)	(557)
Net cash flows (used in) from finance activities	(27,177)	17,770
Net decrease in cash and cash equivalent	(46,841)	(47,082)
Cash and cash equivalents at beginning of the period	72,430	76,651
Cash and cash equivalents at end of the period	25,589	29,569
<u>Supplemental information on non-cash transactions</u>		
Transfer from property and equipment to investment properties	-	37,005


Chief Financial Officer


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AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
(A Saudi Joint-Stock Company) Riyadh – Kingdom of Saudi Arabia

Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended June 30, 2022 (unaudited)

(All amounts 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 23/10/1427 H (14/11/2006) and Ministerial Resolution No. 188 on 27/12/1427H (17/1/2007), 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 26/2/1410 H (26/9/1989) valid until 25/2/1447 H (19/8/2025). 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 13/2/1439 H.

1.3. The interim condensed consolidated financial statements as of June 30, 2022 include the interim condensed consolidated financial statements of the Parent Company and the following subsidiaries, collectively referred to as the "Group":

Name of subsidiary	Legal form	Headquarters	Main activity	Shareholding Percentage
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	Master batch 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 presented interim condensed consolidated financial statements are for the period from January 01, 2022 to June 30, 2021.

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 Chartered and Professional Accountants - SOCPA.

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, 2021.

Interim condensed consolidated statement of changes in shareholders' equity for the three-month and six-month periods ended June 30, 2022 (unaudited)

(All amounts 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, 2021.

However, as described in Note (18), the Group has reviewed the significant sources of uncertainties in the last annual consolidated financial statements in the light of the covid-19 pandemic. Management believes that all other sources of uncertainties remain similar to those reflected in the most recent annual consolidated financial statements. Management will continue to monitor the situation. Any required changes will be reflected in future reporting periods.

Interim condensed consolidated statement of changes in shareholders' equity for the three-month and six-month periods ended June 30, 2022 (unaudited)

(All amounts 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 2021.

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 consolidated financial statements

No new IFRS standards have been applied; however, a number of IFRS amendments are effective as of January 1, 2022 but have no significant impact on 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 16	Amendments relating to property, plant and equipment - proceeds before intended use	01 January 2022
IFRS 3	Amendments relating to reference to the IFRS Conceptual Framework issued in March 2018	01 January 2022
IAS 37	Adjustments to "Provisions, Contingent Liabilities and Contingent Assets", specifically related to "Onerous contracts - Cost of Fulfilling a Contract"	01 January 2022
Annual Improvements to IFRS Standards 2018–2020 Cycle	Annual improvements include amendments to three standards as follows: IFRS 1: First time Adoption of International Financial Reporting Standards IFRS 9: Financial Instruments IAS 41: Agriculture	01 January 2022

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 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
IFRS 10 and IAS 28	Amendments relating to (sale or contribution of assets between an investor and its associate or joint venture)	Application permitted Effective date deferred

AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY

(A Saudi Joint-Stock Company) Riyadh – Kingdom of Saudi Arabia

Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended June 30, 2022 (unaudited)

(All amounts expressed in thousands of Saudi Riyals)

5. Property, plant and equipment - net

	Lands	Buildings and roads *	Plant, equipment and main spare parts	Vehicles	Furniture, fixture and office equipment	Capital work in progress**	Total
Cost:							
Balance at January 01, 2022	10,625	220,598	1,844,624	33,948	109,660	7,218	2,226,673
Additions during the period	-	-	1,742	275	432	31,959	34,408
Transfers	-	-	234	-	-	(234)	-
Disposals	-	-	(72,382)	(101)	-	-	(72,483)
Balance at June 30, 2022	10,625	220,598	1,774,218	34,122	110,092	38,943	2,188,598
Accumulated depreciation:							
Balance at January 01, 2022	-	202,239	1,653,511	33,315	103,424	-	1,992,489
Depreciation for the period	-	2,537	19,340	209	1,220	-	23,306
Disposals	-	-	(72,215)	(101)	-	-	(72,316)
Balance at June 30, 2022	-	204,776	1,600,636	33,423	104,644	-	1,943,479
Provision for accumulated impairment:							
Balance at January 01, 2022	-	-	5,600	-	-	-	5,600
Balance at June 30, 2022	-	-	5,600	-	-	-	5,600
Net book value:							
As at June 30, 2022	10,625	15,822	167,982	699	5,448	38,943	239,519
As of December 31, 2021	10,625	18,359	185,513	633	6,236	7,218	228,584

* 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, under a contract ending on 06/08/1452 H.

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

Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended June 30, 2022 (unaudited)

(All amounts expressed in thousands of Saudi Riyals)

6. Investment properties - at cost

	30/06/2022 (unaudited)	31/12/2021 (audited)
Lands*		
Cost:		
Balance at beginning of the period/year	87,005	50,000
Transfers	-	37,005
Balance at end of the period/ year	87,005	87,005
Net carrying amount at end of the period/ year	87,005	87,005

* Investment properties represent the following:

- (a) A real estate contribution to a land in Madinah (for the purpose of generating revenue or capital profit) at a rate of 14.58% under land sharing contract between the Company and one of the local investment properties 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 Company's fair value as at December 31, 2021 amounted to SR58,030 thousand riyals (2020: SR57,140 thousand) according to the valuation of this land by (The Current Value Real Estate Valuation Company, license No. 1210000606) as an approved valuer as of December 31, 2021 (2020: Adwa Al Arab Company, license No. 1210000846).

- (b) A land in Khobar City purchased in 2015 to establish a regional sales center targeting the Eastern Province and the GCC countries. It was included in previous years under property, plant and equipment. During the current period, 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, which has been leased out to generate additional income for the Company.

Its fair value as at December 31, 2021, amounted to SR42,113 thousand, as per the valuation made by (Current Value Real Estate Valuation Company, license number: 1210000606) as an accredited valuer.

7. Leases

7-1. Right-of-use assets – net

	30/06/2022 (unaudited)	31/12/2021 (audited)
<u>Right-of-use lands</u>		
Cost:		
Balance at beginning of the period/year	21,714	20,978
Additions during the period/year	-	947
Disposal of contracts	(27)	(211)
Balance at end of the period/ year	21,687	21,714
Accumulated depreciation:		
Balance at beginning of period/year	4,556	3,180
Depreciation for the period / year	779	1,587
Disposals	(27)	(211)
Balance at end of the period/ year	5,308	4,556
Net carrying amount at end of the period / year	16,379	17,158

AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
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Interim condensed consolidated statement of changes in shareholders' equity for the three-month and six-month periods ended June 30, 2022 (unaudited)

(All amounts expressed in thousands of Saudi Riyals)

7. Leases (continued)

7.2. Lease liabilities

	30/06/2022 (unaudited)	31/12/2021 (audited)
Balance at beginning of the period/year	17,954	18,333
Additions during the period/year	-	947
Less : Paid during the period/year	(1,088)	(2,249)
Charged to finance cost	443	923
Present value of obligations	17,309	17,954

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:

	30/06/2022 (unaudited)	31/12/2021 (audited)
7.2.1. Lease liabilities - current portion	1,378	1,315
7.2.2. Lease liabilities - non-current portion	15,931	16,639
	17,309	17,954

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

Unquoted investments	Legal form	Location	Shareholding Percentage	30/06/2022 (unaudited)	31/12/2021 (audited)
Red Sea Cables Company *	Saudi closed joint stock company	Riyadh	27%	57,657	57,657
Al-Reef Sugar Refining Company **	Saudi closed joint stock company	Jeddah	15%	38,722	37,147
				96,379	94,804

	30/06/2022 (unaudited)	31/12/2021 (audited)
Movement of changes in fair value was at follows:		
Balance at beginning of the period/year	94,804	82,775
Additions during the period/ year ***	1,575	-
Profits from revaluation of investments at fair value	-	12,029
Fair value at end of the period/ year	96,379	94,804

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

** The cost Company the investment in Al-Reef Sugar Refining Company amounted to SR45 million.

*** During 2020, the Group injected an amount of SR 1,575 thousand, which represents 50% of the Group's share in the increase of share capital of Al Reef Sugar Refining Company, which is set at 7% of the Company's share capital value pursuant to the resolution of the Board of Directors of Al Reef Sugar Refining Company dated 28/2/1442H (14/10/2020). During the fiscal period, the Group settled the due amount of SR1,575 thousand.

AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY

(A Saudi Joint-Stock Company) Riyadh – Kingdom of Saudi Arabia

Interim condensed consolidated statement of changes in shareholders' equity for the three-month and six-month periods ended June 30, 2022 (unaudited)

(All amounts expressed in thousands of Saudi Riyals)

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

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, 2021 by an accredited valuer (Ahmed Mohammad Abdullah Al-Farraj Office for Valuation of Economic Enterprises - license No. 4112000053). The Management has not conducted a revaluation during the six-month period ended June 30, 2022 because it believes that the fair value of investment has not changed.

Note 17 includes information on fair value.

9. Transactions with related parties**9.1. Due from related party**

<u>Related party</u>	<u>Nature of relationship</u>	<u>30/06/2022 (unaudited)</u>	<u>31/12/2021 (audited)</u>
Al Abdullatif Furniture Company	Related to one of the directors of the Board	<u>47,112</u>	<u>41,353</u>

9.2. Due to related party

<u>Related party</u>	<u>Nature of relationship</u>	<u>30/06/2022 (unaudited)</u>	<u>31/12/2021 (audited)</u>
Natural Gas Distribution Company	Related to one of the directors of the Board	<u>-</u>	<u>147</u>

9.3. Significant transactions with related parties

<u>Related party</u>	<u>Nature of relationship</u>	<u>Type and volume of related party transactions</u>		
		<u>Sales and services rendered</u>	<u>Purchases and services received</u>	<u>Payments and repayments</u>
Al Abdullatif Furniture Company	Related to one of the directors of the Board	-	(858)	1,004
Natural Gas Distribution Company	Related to one of the directors of the Board	<u>28,809</u>	<u>(353)</u>	<u>(22,716)</u>

The Group performs an assessment of the impairment of receivables due from related parties by examining the financial position of the related parties and the markets in which they operate in each financial period. The Management believes that there are no indications of impairment in the value of the balances due as of June 30, 2022.

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(All amounts expressed in thousands of Saudi Riyals)

10. Investments at FVTPL

	30/06/2022 (unaudited)	31/12/2021 (audited)
Balance at beginning of the period/year	8,950	8,750
Profits from revaluation of investments at fair value	1,384	200
Disposals through sale	(8,200)	-
Balance at end of the period/ year	2,134	8,950

* 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 of the investee as of December 31, 2021 were 250 thousand shares. During the period, 200 thousand shares were sold and dividends were received in form of free 5,000 shares so that the number of shares being invested as June 30, 2022 is 55 thousand shares (June 30, 2021: 250 thousand shares). The fair value was measured according to the disclosed share price as at June 30, 2022. Profits or losses of valuation have been recognized through profits or losses.

11. Share capital

	30/06/2022 (unaudited)	31/12/2021 (audited)
Balance at end of the period/ year	812,500	812,500

The Company's share capital is SR812,500 divided into 81,250 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. Employees' defined benefit obligations

The Group operates an 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:

	30/06/2022 (unaudited)	31/12/2021 (audited)
Balance at beginning of the period/year	16,836	13,428
Cost of current service	2,793	6,027
Paid during the period / year	(1,690)	(3,696)
Actuarial losses "charged to other comprehensive income"	-	1,077
Balance at end of the period/ year	17,939	16,836

The Group performed an actuarial valuation of employee future benefits on December 31, 2021. It proved the impact of that valuation. The Group's Management has not carried out an actuarial valuation of the employee benefit obligations during the six-month period ended June 30, 2022, as it expects that there will be no significant changes in the present value of the obligations.

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13. Banks – Islamic credit facilities

	30/06/2022 (unaudited)	31/12/2021 (audited)
Business facility finance and short-term Murabaha	130,238	153,824
Less : Deferred finance commissions	(1,981)	(873)
	128,257	152,951

* As per the facility agreements signed with local banks, the Group received short-term facilities at a credit limit of SR 516.8 million for the following purposes:

- Finance to purchase and import raw materials, machinery and spare parts necessary for production
- Finance for the operational cycle of the Company and working capital
- Purchase of materials via the opening account of Sabic Company
- Letters of credit and guarantees
- Murabaha and Tawarruq
- Hedging from foreign currency risks

The above are under the following guarantees:

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

14. Provision for zakat

14.1. Zakat calculation

The Group submits a consolidated zakat return for the Group as a whole (the Parent Company and its subsidiaries) in accordance with the consolidated financial statements. The approximate zakat base for the Group as of December 31, 2021 consists of the following items:

14.2. Movement in provision for zakat

	30/06/2022 (unaudited)	31/12/2021 (audited)
Balance at beginning of the period/year	21,770	22,019
Paid during the period / year	(21,769)	(25,569)
Provided for the period / year	9,000	25,320
Balance at end of the period/ year	9,001	21,770

14.3. Zakat status

The Group submitted its zakat return for the year ended 31/12/2021 and received a zakat certificate for 2021 valid until April 30, 2023.

Zakat has been calculated for the subsidiaries mentioned in note (1) within the consolidated financial statements of the Group. The Group is committed to accounting for it before the Zakat, Tax and Customs Authority, and each subsidiary is charged with its due Zakat in accordance with the Group's policy of redistributing Zakat among the subsidiaries.

The Company finalized its zakat status with the Zakat, Tax and Customs Authority until 2018. The Authority amended the zakat returns for the years 2015 to 2018. This resulted in zakat differences amounting to SR6,019 thousand riyals, which were fully paid.

14.4. Value Added Tax

The Group submits consolidated VAT returns every month.

AL ABDULLATIF INDUSTRIAL INVESTMENT COMPANY
(A Saudi Joint-Stock Company) Riyadh – Kingdom of Saudi Arabia

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15. (Loss)Earnings per share

The basic loss per share was calculated by on the basis the net (loss) earnings attributable to the Shareholders of the Company by the weighted average number of issued shares. The reduced (loss) earnings per share equaled the basic (loss) earnings per share as follows:

	30/06/2022 (unaudited)	30/06/2021 (unaudited)
Net (loss) earnings attributable to Company's Shareholders	(15,557)	642
Weighted average number of shares issued "in thousand of shares"	81,250	81,250
Basic and diluted (loss) earnings per share attributable to the Company's Shareholders	(0.19)	0.01

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 three-month and six-month periods ended June 30, 2022 (compared to the six-month period ended June 30, 2021).

Description / Sector	carpet, rugs and related products	Blankets	Total
<u>For the six-month period ended June 30, 2022 (unaudited)</u>			
Revenue	308,726	41,152	349,878
Cost of revenue	(291,767)	(44,689)	(336,456)
Gross profit	16,959	(3,537)	13,422
Net (loss) profit for the period	(9,728)	(5,829)	(15,557)
Property, plant and equipment - net	212,735	26,784	239,519
Total assets	1,199,316	139,587	1,338,903
Total liabilities	250,996	8,561	259,557
<u>For the six-month period ended June 30, 2021 (unaudited)</u>			
Revenue	282,291	22,720	305,011
Cost of revenue	(257,706)	(20,012)	(277,718)
Gross profit (loss)	24,585	2,708	27,293
Net profit (loss) for the period	311	331	642
Property, plant and equipment - net	222,729	18,450	241,179
Total assets	1,190,289	128,349	1,318,638
Total liabilities	179,787	6,504	186,291

Interim condensed consolidated statement of changes in shareholders' equity for the three-month and six-month periods ended June 30, 2022 (unaudited)

(All amounts expressed in thousands of Saudi Riyals)

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 basis.

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.

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 Company 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.

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(All amounts expressed in thousands of Saudi Riyals)

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

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 approximates 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 included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. 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	Level 1	Level 2	Level 3	Total
Investments at fair value through other comprehensive income	-	-	96,379	96,379
Investments at fair value through profits or losses	2,134	-	-	2,134
Total assets at fair value	2,134	-	96,379	98,513

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(All amounts expressed in thousands of Saudi Riyals)

17. Financial instruments and risk management...(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 to 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. Covid-19 updates

The spread of the corona virus (covid-19) pandemic was confirmed at the beginning of 2020, causing disruption to business and economic activities around the world, including the Kingdom of Saudi Arabia, which took precautionary measures to encounter the adverse effects of the pandemic.

As a result of the pandemic, the Group's Management had to reassess the main assumptions, estimates and sources applicable to the Group's interim condensed consolidated financial statements for the period ended June 30, 2022.

During the period, as the effects of the pandemic diminished due to the increasing vaccination rate across the Kingdom, the Management assessed all of the effects on the Group's operations and activities. Based on this assessment, no major adjustments were required in the interim condensed consolidated financial statements for the year ended June 30, 2022. The Group continues to closely monitor the pandemic's developments, while Management is not aware of any factors that may influence the impact of the pandemic on the Group's activities in 2022 or beyond.

19. Subsequent events

The Management believes there are no significant events subsequent to the date of the financial position on June 30, 2022 until the date of preparing these financial statements that may have a significant impact on the company's financial position reported.

20. Approval of interim condensed consolidated financial statements

The interim condensed consolidated financial statements for the period ended June 30, 2022 were approved by the Group's Board of Directors on August 22, 2022.