

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**

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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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, 2021, the interim condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month periods ended June 30, 2021, 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 4, 1443 H.
August 12, 2021 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, 2021 (unaudited)
(All amounts expressed in thousands of Saudi Riyals)

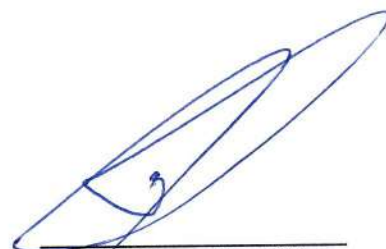
| | Note | 30/06/2021 (unaudited) | 31/12/2020 (audited) |
|--|-------|---------------------------|-------------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment - net | 5 | 241,179 | 298,646 |
| Investment properties - at cost | 6 | 87,005 | 50,000 |
| Right-of-use assets - net | 7.1 | 17,004 | 17,798 |
| Investments at fair value through other comprehensive income (FVOCI) | 8 | 82,775 | 82,775 |
| Total non-current assets | | 427,963 | 449,219 |
| Current assets | | | |
| Inventory - net | | 398,281 | 335,667 |
| Trade receivables - net | | 365,290 | 346,185 |
| Due from related parties | 9.1 | 36,204 | 38,798 |
| Prepayments and other debit balances | | 52,556 | 27,517 |
| Investments at fair value through profits or losses | 10 | 8,775 | 8,750 |
| Cash and cash equivalents | | 29,569 | 76,651 |
| Total current assets | | 890,675 | 833,568 |
| Total assets | | 1,318,638 | 1,282,787 |
| 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 | | (4,538) | (4,538) |
| Retained earnings | | 82,956 | 82,314 |
| Total Shareholders' equity | | 1,132,347 | 1,131,705 |
| Non-current liabilities | | | |
| Lease obligations – non-current portion | 7.2.2 | 16,970 | 17,131 |
| Employees' defined benefit obligations | 12 | 14,945 | 13,428 |
| Total non-current liabilities | | 31,915 | 30,559 |
| Current liabilities | | | |
| Banks– Islamic credit facilities | 13 | 85,186 | 66,304 |
| Lease obligations – current portion | 7.2.1 | 1,257 | 1,202 |
| Trade payables | | 45,109 | 12,879 |
| Due to related parties | 9.2 | - | 185 |
| Accrued expenses and other credit balances | | 13,748 | 16,858 |
| Dividends payable | | 1,076 | 1,076 |
| Provision for zakat | 14 | 8,000 | 22,019 |
| Total current liabilities | | 154,376 | 120,523 |
| Total liabilities | | 186,291 | 151,082 |
| Total Shareholders' equity and liabilities | | 1,318,638 | 1,282,787 |



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, 2021 (unaudited)**

(All amounts expressed in thousands of Saudi Riyals)

| | Note | For the three-month period ended | | For the six-month period ended | |
|---|------|-------------------------------------|--------------------------|-----------------------------------|--------------------------|
| | | 30/6/2021 (unaudited) | 30/6/2020 (unaudited) | 30/6/2021 (unaudited) | 30/6/2020 (unaudited) |
| Revenue | | 150,907 | 81,855 | 305,011 | 215,207 |
| Cost of revenue | | (133,177) | (85,388) | (277,718) | (213,153) |
| Gross profit/(loss) | | 17,730 | (3,533) | 27,293 | 2,054 |
| Selling and marketing expenses | | (4,140) | (2,979) | (8,863) | (5,785) |
| General and administrative expenses | | (5,119) | (4,468) | (9,762) | (9,334) |
| Other income | | 1,441 | 1,817 | 3,993 | 3,507 |
| Profit/(loss) from operating activities | | 9,912 | (9,163) | 12,661 | (9,558) |
| Net cost of finance | | (204) | (950) | (670) | (1,933) |
| Dividends income | | 88 | - | 176 | - |
| Profits/(losses) of valuation of investments at fair value through profits or losses | 10 | (225) | 1,084 | 25 | (1,268) |
| Net profit/(loss) for the period before zakat | | 9,571 | (9,029) | 12,192 | (12,759) |
| Zakat | 14 | (4,550) | (4,000) | (11,550) | (8,000) |
| Net profit/(loss) for the period | | 5,021 | (13,029) | 642 | (20,759) |
| Other comprehensive income: | | | | | |
| Other comprehensive income items | | - | - | - | - |
| Comprehensive income for the period | | 5,021 | (13,029) | 642 | (20,759) |
| Net profit/(loss) for the period attributable to: | | | | | |
| Company's Shareholders | | 5,021 | (13,029) | 642 | (20,759) |
| Net profit/(loss) for the period | | 5,021 | (13,029) | 642 | (20,759) |
| Basic and diluted earnings/(loss) per share attributable to Company's Shareholders from net profit/(loss) for the period in Saudi Riyals | 15 | 0.06 | (0.16) | 0.01 | (0.26) |


Chief Financial Officer


Authorized BOD's Member


Chief Executive Officer

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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, 2021 (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, 2020 (audited) | 812,500 | 241,429 | (13,361) | 108,258 | 1,148,826 |
| Net (loss) for the period | - | - | - | (20,759) | (20,759) |
| Balance at June 30, 2020 (unaudited) | 812,500 | 241,429 | (13,361) | 87,499 | 1,128,067 |
| 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 |



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 cash flows for the three-month and six-month periods ended June 30, 2021 (unaudited)

(All amounts expressed in thousands of Saudi Riyals)

| | <u>30/06/2021</u> <u>(unaudited)</u> | <u>30/06/2020</u> <u>(unaudited)</u> |
|--|---|---|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u> | | |
| Net profit (loss) for the period | 642 | (20,759) |
| Adjustment for net profit (loss) for the period: | | |
| Depreciation on property, plant and equipment | 23,178 | 25,401 |
| Gains on disposal of property, plant and equipment | (1,112) | - |
| Depreciation on right-of-use assets | 794 | 794 |
| (Profits)/losses of valuation of investments at fair value through profits or losses | (25) | 1,268 |
| Interests on bank facilities | 555 | 1,711 |
| Interests on leases | 451 | 514 |
| Impairment of trade receivables | 1,600 | 1,919 |
| Employees' defined benefit obligations | 3,276 | 2,278 |
| Provisions reserved | (7) | (29) |
| Zakat | 11,550 | 8,000 |
| | <u>40,902</u> | <u>21,097</u> |
| Changes during the period in: | | |
| Inventory | (62,607) | 19,218 |
| Trade receivables | (20,705) | (6,541) |
| Due from related parties | 2,594 | (6,220) |
| Prepayments and other debit balances | (25,039) | 9,456 |
| Trade payables | 32,230 | 76 |
| Due to related parties | (185) | - |
| Accrued expenses and other credit balances | (3,110) | 832 |
| Provision for zakat paid | (25,569) | - |
| Employees' defined benefit obligations paid | (1,759) | (902) |
| Net cash flows (used in) from operating activities | <u>(63,248)</u> | <u>37,016</u> |
| <u>Cash flows from investing activities:</u> | | |
| Purchase of property, plant and equipment | (3,755) | (3,831) |
| Proceeds from disposal of property, plant and equipment | 2,151 | - |
| Net cash flows (used in) investing activities | <u>(1,604)</u> | <u>(3,831)</u> |
| <u>Cash flows from financing activities</u> | | |
| Finance obtained from banks - credit facilities | 100,183 | 91,005 |
| Finance from banks - credit facilities paid | (81,856) | (135,605) |
| Lease liabilities paid | (557) | (681) |
| Net cash flows from (used in) financing activities | <u>17,770</u> | <u>(45,281)</u> |
| Net decrease in cash and cash equivalent | <u>(47,082)</u> | <u>(12,096)</u> |
| Cash and cash equivalents at beginning of the period | <u>76,651</u> | <u>69,683</u> |
| Cash and cash equivalents at end of the period | <u>29,569</u> | <u>57,587</u> |
| <u>Supplemental information on non-cash transactions</u> | | |
| Transfer from property, plant and equipment to investment properties | <u>37,005</u> | <u>-</u> |



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

Notes to the interim condensed consolidated financial statements for the three-month and six-month periods ended June 30, 2021 (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 25/2/1447H (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, 2021 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 and the presented financial statements are for the period from January 01, 2021 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 and pronouncements issued by the Saudi Organization for Certified Public 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, 2020.

Interim condensed consolidated statement of changes in shareholders' equity for the three-month and six-month periods ended June 30, 2021 (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, 2020.

Interim condensed consolidated statement of changes in shareholders' equity for the three-month and six-month periods ended June 30, 2021 (unaudited)

(All amounts expressed in thousands of Saudi Riyals)

2.5. Use of judgments, estimates and assumptions...(continued)

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.

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 2020.

4. Changes in significant accounting policies and new standards

No new IFRS standards have been applied; however, a number of IFRS amendments are effective as of January 1, 2021, which were explained in the Company's annual consolidated financial statements, but have no significant impact on the Company's interim condensed consolidated financial statements.

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, 2021 (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 1, 2021 | 47,630 | 220,187 | 1,845,780 | 33,210 | 109,022 | 419 | 2,256,248 |
| Additions during the period | - | - | 2,233 | 226 | 237 | 1,059 | 3,755 |
| Transferred to investment properties (note 6) | (37,005) | - | - | - | - | - | (37,005) |
| Transfers | - | 411 | - | - | - | (411) | - |
| Disposals | - | - | (8,086) | - | - | - | (8,086) |
| Balance at June 30, 2021 | 10,625 | 220,598 | 1,839,927 | 33,436 | 109,259 | 1,067 | 2,214,912 |
| Accumulated depreciation: | | | | | | | |
| Balance at January 1, 2021 | - | 196,898 | 1,621,300 | 33,038 | 100,766 | - | 1,952,002 |
| Depreciation for the period | - | 2,708 | 18,914 | 169 | 1,387 | - | 23,178 |
| Disposals | - | - | (7,047) | - | - | - | (7,047) |
| Balance at June 30, 2021 | - | 199,606 | 1,633,167 | 33,207 | 102,153 | - | 1,968,133 |
| Provision for accumulated impairment: | | | | | | | |
| Balance at January 1, 2021 | - | - | 5,600 | - | - | - | 5,600 |
| Balance at June 30, 2021 | - | - | 5,600 | - | - | - | 5,600 |
| Net book value: | | | | | | | |
| As at June 30, 2021 | 10,625 | 20,992 | 201,160 | 229 | 7,106 | 1,067 | 241,179 |
| As at December 31, 2020 | 47,630 | 23,289 | 218,880 | 172 | 8,256 | 419 | 298,646 |

* 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, 2021 (unaudited)

(All amounts expressed in thousands of Saudi Riyals)

6. Investment properties - at cost

| | 30/06/2021 (unaudited) | 31/12/2020 (audited) |
|---|---|---------------------------------------|
| Lands* | | |
| Cost: | | |
| Balance at beginning of the period/year | 50,000 | 50,000 |
| Transferred from property, plant and equipment (note 5) | 37,005 | - |
| Balance at end of the period/ year | 87,005 | 50,000 |
| Net carrying amount at end of the period/ year | 87,005 | 50,000 |

* 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 fair value as at December 31, 2020 amounted to SR 57,140 thousand (2019: SR55,354 thousand) according to the valuation of the Company's share in this land by (Adhwaa Al-Arab Company, license number: 1210000846), which is an accredited valuer.

- (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, according to the last valuation as of March 31, 2021, amounted to SR42,113 thousand, as per the evaluation of the land by (Adhwaa Al-Arab Company, license number: 1210000846) as an accredited valuer.

7. Leases

7-1. Right-of-use assets – net

| | 30/06/2021 (unaudited) | 31/12/2020 (audited) |
|--|---|---------------------------------------|
| <u>Right-of-use lands</u> | | |
| Cost: | | |
| Balance at beginning of the period/year | 20,978 | 20,978 |
| Balance at end of the period/ year | 20,978 | 20,978 |
| Accumulated depreciation: | | |
| Balance at beginning of the period/year | 3,180 | 1,590 |
| Depreciation for the period / year | 794 | 1,590 |
| Balance at end of the period/ year | 3,974 | 3,180 |
| Net carrying amount at end of the period / year | 17,004 | 17,798 |

7. Leases (continued)

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, 2021 (unaudited)

(All amounts expressed in thousands of Saudi Riyals)

7.2. Lease liabilities

| | 30/06/2021 (unaudited) | 31/12/2020 (audited) |
|---|-----------------------------------|---------------------------------|
| Balance at beginning of the period/year | 18,333 | 19,761 |
| Less : Paid during the period/year | (557) | (2,395) |
| Charged to finance cost | 451 | 967 |
| Present value of obligations | 18,227 | 18,333 |

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:

| | 30/06/2021 (unaudited) | 31/12/2020 (audited) |
|---|-----------------------------------|---------------------------------|
| 7.2.1. Lease liabilities - current portion | 1,257 | 1,202 |
| 7.2.2. Lease liabilities - non-current portion | 16,970 | 17,131 |
| | 18,227 | 18,333 |

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

| Unquoted investments | Legal form | Location | Shareholding Percentage | 30/06/2021 (unaudited) | 31/12/2020 (audited) |
|---|----------------------------------|-----------------|------------------------------------|-----------------------------------|---------------------------------|
| Red Sea Cables Company * | Saudi closed joint stock company | Riyadh | 27% | 45,650 | 45,650 |
| Al-Reef Sugar Refining Company ** | Saudi closed joint stock company | Jeddah | 15% | 37,125 | 37,125 |
| | | | | 82,775 | 82,775 |
| | | | | 30/06/2021 (unaudited) | 31/12/2020 (audited) |
| <u>Movement of changes in fair value was at follows:</u> | | | | | |
| Balance at beginning of the period/year | | | | 82,775 | 72,377 |
| Additions during the period/ year *** | | | | - | 1,575 |
| Profits from revaluation of investments at fair value | | | | - | 8,823 |
| Fair value at end of the period/ year | | | | 82,775 | 82,775 |

* The cost of the 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 SR1,575 thousand, which represents 50% payment 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).

Interim condensed consolidated statement of changes in shareholders' equity for the three-month and six-month periods ended June 30, 2021 (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, 2020 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, 2021 because it believes that the fair value of investment has not changed.

Note 18 includes information on fair value.

9. Transactions with related parties

9.1. Due from related party

| Related party | Nature of relationship | 30/06/2021 (unaudited) | 31/12/2020 (audited) |
|---------------------------------|--|---------------------------|-------------------------|
| Al Abdullatif Furniture Company | Related to one of the directors of the Board | 36,204 | 38,798 |

9.2. Due to related party

| Related party | Nature of relationship | 30/06/2021 (unaudited) | 31/12/2020 (audited) |
|----------------------------------|--|---------------------------|-------------------------|
| Natural Gas Distribution Company | Related to one of the directors of the Board | - | 185 |

9.3. Significant transactions with related parties

| Related party | 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 | 18,263 | (135) | (20,722) |
| Natural Gas Distribution Company | Related to one of the directors of the Board | - | (781) | 966 |

All transactions with related parties represent business relations that take place as per the ordinary transaction terms with third parties and do not come with any special benefits. The balances do not include any interests and no guarantees are provided in return for them. The repayment is made in line with the agreements concluded with the related parties.

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, 2021.

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9.4. Key Management personnel compensation

The General Assembly resolved in its meeting held on 05/11/1442 H (15/06/2021) to pay sum of SR400,000 to four Directors of the Board as a remuneration for the financial year ended 31/12/2020. The remaining three Directors waived their remuneration for the year ended June 30, 2021.

10. Investments at FVTPL

| | 30/06/2021 (unaudited) | 31/12/2020 (audited) |
|---|-----------------------------------|---------------------------------|
| Balance at beginning of the period/year | 8,750 | 16,258 |
| Profits from revaluation of investments at fair value | 25 | 309 |
| Disposals through sale | - | (7,817) |
| Balance at end of the period/ year | 8,775 | 8,750 |

- * 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 June 30, 2021 were 250,000. The fair value was measured according to the disclosed share price as at June 30, 2020. Profits or losses of valuation have been recognized through profits or losses.

11. Share capital

| | 30/06/2021 (unaudited) | 31/12/2020 (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:

| | 30/06/2021 (unaudited) | 31/12/2020 (audited) |
|--|-----------------------------------|---------------------------------|
| Balance at beginning of the period/year | 13,428 | 11,385 |
| Cost of current service | 3,276 | 4,243 |
| Paid during the period / year | (1,759) | (3,313) |
| Actuarial losses "charged to other comprehensive income" | - | 1,113 |
| Balance at end of the period/ year | 14,945 | 13,428 |

An actuarial valuation was performed using the projected credit unit method to measure the present value of employee defined benefit obligations on December 31, 2020. It proved the impact of that study. The Group's Management has not carried out an actuarial valuation of the employee benefit obligations during the six-month period ended June 30, 2021, 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

| | 30/06/2021 (unaudited) | 31/12/2020 (audited) |
|---|---|---------------------------------------|
| Business facility finance and short-term Murabaha | 85,813 | 66,653 |
| Less : Deferred finance commissions | (627) | (349) |
| | 85,186 | 66,304 |

* Under facilities agreements signed with local banks, the Group obtained short-term credit facilities at a credit limit SR 556.7 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. Movement in provision for zakat

| | 30/06/2021 (unaudited) | 31/12/2020 (audited) |
|---|---|---------------------------------------|
| Balance at beginning of the period/year | 22,019 | 18,381 |
| Paid during the period / year | (25,569) | (18,826) |
| Provided for the period / year | 11,550 | 22,464 |
| Balance at end of the period/ year | 8,000 | 22,019 |

14.2. Zakat status

- The group has finalized its Zakat status with the Zakat, Tax and Customs Authority until 2014.
- Zakat, Tax and Customs Authority has amended the Zakat returns submitted by the Company for the years from 2015 to 2018. This resulted in Zakat differences amounting to 6,019,299 Saudi riyals that were fully settled. The Company also submitted objections to the amendments which are still pending review with the General Secretariat of Tax Committees.
- The Group filed the zakat return for the year ended December 31, 2020.
- The Group obtained a certificate valid until April 30, 2022.
- Zakat was computed for the subsidiaries mentioned in note (1) within the consolidated financial statements of the Group. The Group must account for it before the Zakat, Tax and Customs Authority. Each subsidiary is charged with its own zakat payable according to the Group's policy of reallocating the zakat among the subsidiaries for the six-month period ended June 30, 2021, and according to the Management's estimates of the zakat base on that date, which may not necessarily represent an accurate indication of the actual period's share of the final zakat at the end of 2021.

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15. Earnings (loss) per share

The basic earnings (loss) per share was calculated on the basis of the net earnings (loss) for the period attributable to the Company's shareholders amounting to SR642 thousand (2020: SR20,759 thousand) divided by the weighted average number of issued shares equal to 81,250 thousand shares (2020 - SR81,250 thousand shares). The diluted share earnings (loss) was equal to the basic share earnings (loss).

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, 2021 (compared to the six-month period ended June 30, 2020).

| Description / Sector | carpet, rugs and related products | Blankets | Total |
|---|-----------------------------------|----------|-----------|
| For the six-month period ended June 30, 2021 (unaudited) | | | |
| 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 |
| For the six-month period ended June 30, 2020 (unaudited) | | | |
| Revenue | 182,404 | 32,803 | 215,207 |
| Cost of revenue | (184,176) | (28,977) | (213,153) |
| Gross profit (loss) | (1,772) | 3,826 | 2,054 |
| Net profit (loss) for the period | (21,579) | 820 | (20,759) |
| Property, plant and equipment - net | 298,368 | 21,360 | 319,728 |
| Total assets | 1,178,844 | 151,732 | 1,330,576 |
| Total liabilities | 78,948 | 123,561 | 202,509 |

17. Financial instruments and risk management

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

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17.1. Liquidity risks...(continued)

The Group's terms of sales stipulate that payments are made in cash upon delivery of the goods or on a credit sale basis according to credit terms whose payment term usually ranges between 30 to 180 days.

All current liabilities are expected to be settled within 12 months as of the date of the financial statements. Trade payables are usually settled within 30-60 days as of the purchase date.

The contractual maturities of financial liabilities as at the end of the year are as follows:

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 Group's 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. The Group also insures against credit risks under an insurance policy with a local insurance company in order to reduce credit risks. Cash is deposited with high credit rated banks.

The following are the carrying amounts of financial assets which represent the maximum of credit risks:

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 risks of fluctuations in foreign exchange rates during its normal business cycle.

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 principle differences may arise between the carrying amount and the fair value estimates. The Group's Management believes that the fair value of the Group's financial assets and liabilities approximates their balances carried forward.

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.

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Fair value risk...(continued)

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 | - | - | 82,775 | 82,775 |
| Investments at fair value through profits or losses | 8,775 | - | - | 8,775 |
| Total assets at fair value | 8,775 | - | 82,775 | 91,550 |

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.

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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. The extent of the impact of the covid-19 pandemic on the Group's business, operations and financial results is something which the Group's Management believes. However, the amounts are not specified and depend on myriad factors and future developments. This required the Group's Management to reassess the assumptions, estimates and primary sources applied to the consolidated financial statements for the year ended December 31 2020 and the interim condensed consolidated financial statements for the period ended June 30, 2021.

During the period, and in the light of the discovery of vaccines for this pandemic and the reducing impact resulting from that pandemic, the Management assessed all the effects on the Group's operations and activities. Based on this assessment, there was no need to make any material adjustments to the interim condensed consolidated financial statements for the period ended June 30, 2021.

The Group continues to closely monitor the developments of this pandemic, although the Management at this time is not aware of any expected factors that may change the impact of the pandemic on the Group's operations during or after 2021.

19. Events subsequent to financial statements date

Management believes that there are no significant subsequent events from the date of the interim condensed consolidated statement of financial position at June 30 until the date of approval of the financial statements that may have a material impact on the interim condensed consolidated financial statements.

20. Approval of interim condensed consolidated financial statements

The interim condensed consolidated financial statements for the period ended June 30, 2021 were approved by the Group's Board of Directors on August 12, 2021.