

**Saudi Arabian Amiantit Company**  
The Annual Report of the Board of Directors

**2020**

Date: 17/08/1442 H  
30/03/2021 G

## **The annual report of the Board of Directors to the Ordinary General Assembly Meeting on the Fiscal Year of 2020**

*M/s Shareholders of Saudi Arabian Amiantit Company,  
Dear Shareholders,*

### **Introduction:**

The Board of Directors herewith presents its annual activity report for the year 2020 and the operations progress of the Company and its affiliates, including the production, marketing, and administrative performance of the Group. The report also covers the consolidated financial statements for the years ending 31<sup>st</sup> December of 2020 & 2019.

### **1 Company and Group Profile:**

The Company was established in 1388H (1968) in Dammam, Kingdom of Saudi Arabia. It is a Joint Stock - Listed Company with a paid-up capital of SAR 320 Million (2019: SAR 344.51 Million), listed on the Saudi Stock Exchange (Tadawul). The Company is headquartered in Dammam (Saudi Arabia).

The Company's main activities consist of the establishment and management of industrial projects especially the design, manufacturing, marketing, and sales of pipes and water treatment installations, as well as the management of water projects. The Group also owns and licenses several pipe-manufacturing technologies.

The Group operates 20 pipe and related products, such as tanks, fittings, flanges, rubber, and manholes, manufacturing facilities around the world, either fully owned or through joint ventures with local partners. As of December 31, 2020. This includes 9 plants in Saudi Arabia, the other premises mostly being located in Western Europe, Turkey, Qatar, North Africa and Kazakhstan. It is also offering pipe design and installation services through one of its Saudi subsidiaries, Infra-Structure Engineering and Construction Company (ISECC).

The company's research and development activities are carried by its R&D centers in the Dhahran Techno-Valley, Dhahran, Saudi Arabia, and Sandefjord, Norway. It is also involved in Engineering, Procurement, Commissioning (EPC) of water treatment facilities through its fully owned German subsidiary (PWT- Abwassertechnik) and operates water management activities through a 50% joint-venture in Saudi Arabia, the International Water Distribution Company (Tawzea).

#### **1.1 Manufacturing & Sale of Pipes & Associated Technologies**

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The Group designs and manufactures standard or tailor-made pipes, tanks, fittings, and industrial valves, for transmission of water, covering all applications, such as potable water, irrigation, industrial water, sewage, sea water intakes, storm water, drainage, fire-fighting, among others. It also offers to its customers design and installation advisory and services through. This segment represents the core business of the Group and the main source of its sales and profits.

*2020 Amiantit Annual Report of the Board of Directors*

Product Family	Consolidated Percentage of Sale 2020
Glass-reinforced pipes, tanks and fittings, in Polyester and Epoxy (GRP and GRE)	50.16%
Ductile iron pipes and fittings (DI)	33.39%
Design and Installation services	14.43%
Others	2.02%
	<b>100.00%</b>

Table 1: Group's products and the participation % in consolidated percentage of Sales

The Group owns and continuously develops associated technologies, covering the following aspects:

- Technical Support,
- Product Development,
- Raw Material testing and qualification, and
- Optimization of Processing & Manufacturing methods.

The Group Technology organization operates two Research and Development centers. One located in Dhahran Techno-Valley Company (DTVC) located in King Fahad University for Petroleum & Minerals, Dhahran, Saudi Arabia while the other is located in Sandiford (Norway) as part of our joint venture firm in Europe, Amiblu. The centers employ a total of 61 research personnel and operates sophisticated research and testing equipment with a total value of SAR 53.8 million. The R&D spending of the Group reached SAR 21.9 Million in 2020 (2019: SAR 9.9 Million). The Technology Centers are primarily focused around the GRP and GRE activities. They perform research activities that aim to improve product design, broaden applications, optimize production processes, among other activities.

Manufacturing & sales of pipes & associated technologies	Net Sales	Total Assets
<b>2020</b>	421,909	1,416,658
<b>2019</b>	674,761	1,758,025

Table 1: Key figures for Manufacturing & Sales of pipes & Associated Technologies Segment (SAR'000).

## **1.2 Water Management Activities**

### **1.2.1 EPC of Water Treatment Stations**

The Group fully owns PWT Wasser-und Abwassertechnik GmbH (PWT), a German Company headquartered near Frankfurt, Germany, and primarily specialized in the engineering, procurement, construction, and operation & maintenance of desalination plants, water treatment plants, wastewater treatment plants for urban areas and industrial clients, as well as, providing water treatment solutions. Furthermore, PWT operates groundwater treatment plants and develops and implements electro-technical and automation systems for the water sector.

This Company is presently working actively in Central and South Eastern Europe, the Caspian Region, Turkey, Albania and the GCC via a major project in Iraq, where it is building a water treatment plant and installing the related pipe network in Samawa (southern region of Iraq). In addition to the maintenance, since 2016, the company has been developing new markets in the MENA region and in the GCC, focusing on Saudi Arabia.

The business and the results 2020 have been largely affected by Corona pandemic and the political and economic conditions in the countries where the large projects are in execution, in particular in Iraq (large water treatment plant) and Turkmenistan (desalination plant).

However, after following a new strategy by the company, a new project was acquired in Morocco. Concerning the strategic growth in the industrial water sector, 2020 was characterized by a lot of activity in the quoting for new projects mainly in the domestic market and in the development of new profitable business that shall be converted into order entry in 2021. But the Corona pandemic causes delays in the decision process.

### **1.2.2 Water Management**

Amiantit through its 100% owned subsidiary International Infrastructure Management & Operation Co. Ltd. (Amiwater) owns 50% of The International Water Distribution Company Ltd. (Tawzea). Tawzea is principally engaged in offering services related to construction, operation, and maintenance of public water & sewage services.

Tawzea is engaged in providing potable and wastewater services to industrial cities under concession agreements from Saudi Industrial Property Authority (MODON). Tawzea specializes in Management of industrial cities, operation and maintenance of Potable Water, and Wastewater facilities in cities like Jeddah, Riyadh, and Qassim among others. It is also one of the first companies that have been successful in the privatization of the water sector in the Kingdom of Saudi Arabia and PPP projects.

Tawzea's joint venture with Aquapur Company secure a concession for Jeddah Industrial City 2nd and 3rd at the end of 2016 has contributed in increasing the revenue over the period of last five years.

As part of Saudi Arabia's Vision 2030, Tawzea in consortium with Cobra, won the bid for the development of Taif IST at the end of 2019 the consortium successfully achieved financial close and the project is in the construction stage now. The completion of the project is expected by 4th quarter of 2022.

Furthermore, during last two years Tawzea won a number of O&M contracts as part of its long-term strategy to diversify its business thereby reducing concentration on one particular revenue stream. In the long run Tawzea will continue its participation in privatization projects and O&M contracts in line with its strategy to increase market share.

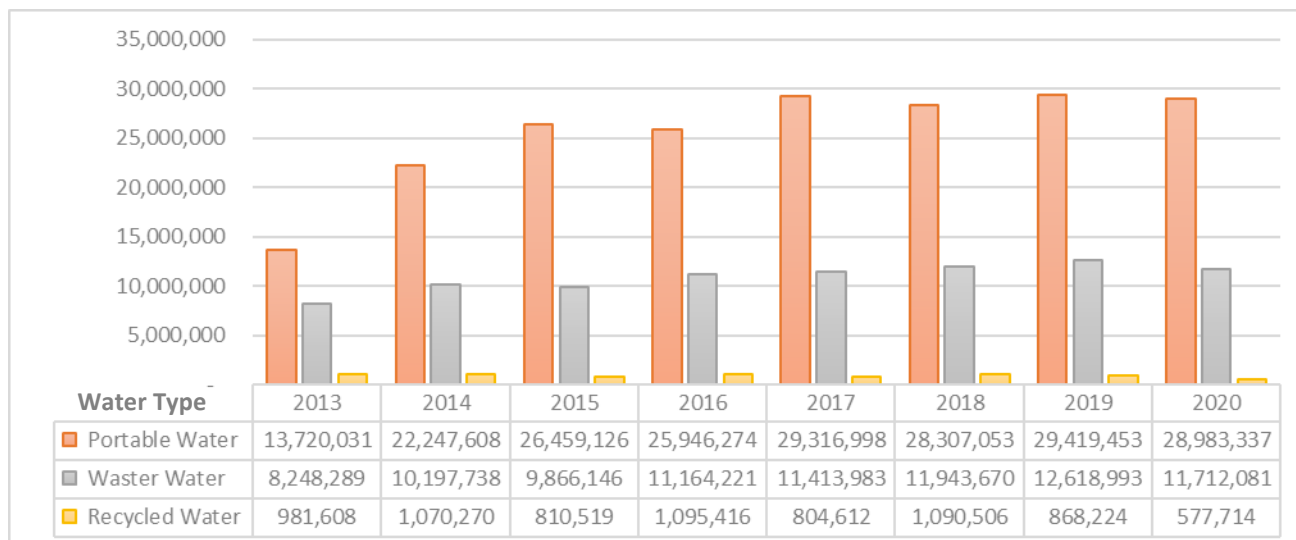


Figure 1: Tawzea Volumes Trends over 8 years in cubic meters.

Year	Net Sales	Total Assets
2020	19,114	836,250
2019	105,648	660,792

Table 2: Key figures for water management (SAR '000).

## 2 Amiantit Board of Directors & Committees Members:

### 2.1 Board of Directors

Member Name	Current Job	Previous Job	Qualifications	Experience
HH Prince Ahmad Bin Khalid Bin Abdullah Bin Abdurrahman Al-Saud	Businessman	Businessman	PhD in Law	Expertise in the board of directors and committees of companies and corporate committees for civil, insurance, credit, energy, and mining.
HRH Prince Abdulaziz Bin Mohammad Bin Fahad Bin Abdulaziz Al-Saud	Businessman	Businessman	Master of Laws	Experience in the field of law.
Dr. Khalil Abdulfattah Kordi	Financial Adviser	Financial Adviser	PhD in Acc.	Extensive experience in board membership, corporate and bank committees, university professor, and consultant in several government agencies.
Mr. Sulaiman Abdullah Al Amro	Adviser and Regional Manager	Adviser and Regional Manager	MBA	Extensive experience in the membership of boards of directors, committees and management
Eng. Mohammad Abdurrahman Al-Luhaidan	Businessman	Businessman	MBA	Extensive experience in engineering and management



## 2.2 Audit Committee

Member Name	Current Job	Previous Job	Qualifications	Experience
<b>Dr. Khalil Abdulfattah Kordi</b>	Financial Adviser	Financial Adviser	PhD in Acc	Extensive experience in board membership, corporate and bank committees, university professor, and consultant in several government agencies.
<b>Mr. Sulaiman Abdullah Al Amro</b>	Adviser and Regional Manager	Adviser and Regional Manager	MBA	Extensive experience in the membership of boards of directors, committees, and management
<b>Dr. Sulaiman Abdullah Al Sakran</b>	Consultant	President of the Saudi Student Fund at the Ministry of Education	PhD in Acc.	Extensive experience in finance, accounting, membership in many companies, audit committees, and academic field

## 2.3 Nomination and Compensation Committee

Member Name	Current Job	Previous Job	Qualifications	Experience
<b>HRH Prince Abdulaziz Bin Mohammad Bin Fahad Bin Abdulaziz Al-Saud</b>	Businessman	Businessman	Master of Laws	Experience in the field of law.
<b>Mr. Sulaiman Abdullah Al Amro</b>	Adviser and Regional Manager	Adviser and Regional Manager	MBA	Extensive experience in the membership of boards of directors, committees, and management
<b>Eng. Mohammad Abdurrahman Al-Luhaidan</b>	Businessman	Businessman	MBA	Extensive experience in engineering and management

## 2.4 Executive Committee

Member Name	Current Job	Previous Job	Qualifications	Experience
<b>HH Prince Ahmad Bin Khalid Bin Abdullah Bin Abdurrahman Al-Saud</b>	Businessman	Businessman	PhD in Law	Expertise in the board of directors and committees of companies and corporate committees for civil, insurance, credit, energy, and mining.
<b>HRH Prince Abdulaziz Bin Mohammad Bin Fahad Bin Abdulaziz Al-Saud</b>	Businessman	Businessman	Master of Laws	Experience in the field of law.
<b>Dr. Khalil Abdulfattah Kordi</b>	Financial Adviser	Financial Adviser	PhD in Acc.	Extensive experience in board membership, corporate and bank committees, university professor, and consultant in several government agencies.
<b>Dr. Solaiman Abdulaziz Al Twaijri</b>	CEO- Amiantit Co.	Associate Professor, Accounting Department- KFUPM	PhD in Acc.	Extensive experience in finance, accounting, membership in many companies, audit committees, and academic field

## 2.5 Senior Executive

Member Name	Current Job	Previous Job	Qualifications	Experience
<b>Dr. Solaiman Abdulaziz Al Twaijri</b>	CEO- Amiantit Co.	Associate Professor, Accounting Department- KFUPM	PhD in Acc.	Extensive experience in finance, accounting, membership in many companies, audit committees, and academic field
<b>*Mr. Feras Ghassab AlHarbi</b>	GCFO- Amiantit Co.	Ex-GCFO for Multi listed companies in KSA and outside KSA	Master's degree in Finance & Accounting	Multi experience in finance, accounting, membership in the board of directors, audit committees and academic field.
<b>Mr. Waleed Mohammad Abu Kishk</b>	Legal & Compliance Director - Amiantit Co.	Legal Counsel- Amiantit Co.	Master's degree in law	Experiences in law and legal consulting and governance.
<b>Mr. Osama Bin Jasim Al-Onaize</b>	Sales & Marketing Director- Amiantit Co.	Shared Services Director- Amiantit Co.	Bachelor's degree in Acc	Experiences in accounting, management, human resources, and information technology.
<b>Eng. Mohammad Saleh Al-Shamrani</b>	Operations Director- Amiantit Co.	Procurement Manager	Bachelor's degree in chemical engineering	Experiences in procurement management, raw materials management, and operations
<b>** Mr. Houssam Nehad Ramadan</b>	Sales & Marketing Director- Amiantit Co.	Sales & Marketing Director- Amiantit Co.	MBA	Experiences in Manager sales and marketing, and strategic and tactical marketing.
<b>***Mr. Ahmad Mohammad Quddam</b>	Shared Services Director- Amiantit Co.	HR Manager- Amiantit Co.	Bachelor's degree in Business Administration	Experiences in Management, Human resources and strategic planning.

\* Mr. Feras Ghassab AlHarbi has joined as of 01/06/2020.

\*\* Mr. Houssam Ramadan has resigned as of 01/10/2020.

\*\*\*Mr. Ahmad Quddam has joined as of 01/10/2020.

## 3 Significant Decisions & Plans

### 3.1 Decrease of the Demand in AP & International

During 2020 fiscal year, net sales has decreased by SAR 339.4 million compared to previous year, the main reason of the decrease in sales is that the trend of 2019 continued in 2020 of decline sales due to the delayed due over all economic contraction which suffered more adversely due to COVID-19. The virus impact was severe as the lock down resulted in reduced production from the beginning of the year and consequently reduced the sales. Please also note that a one-time adjustment on revenue contracts amounting to SAR 38.2 million was booked on PWT Germany based on the risk analysis of existing projects.

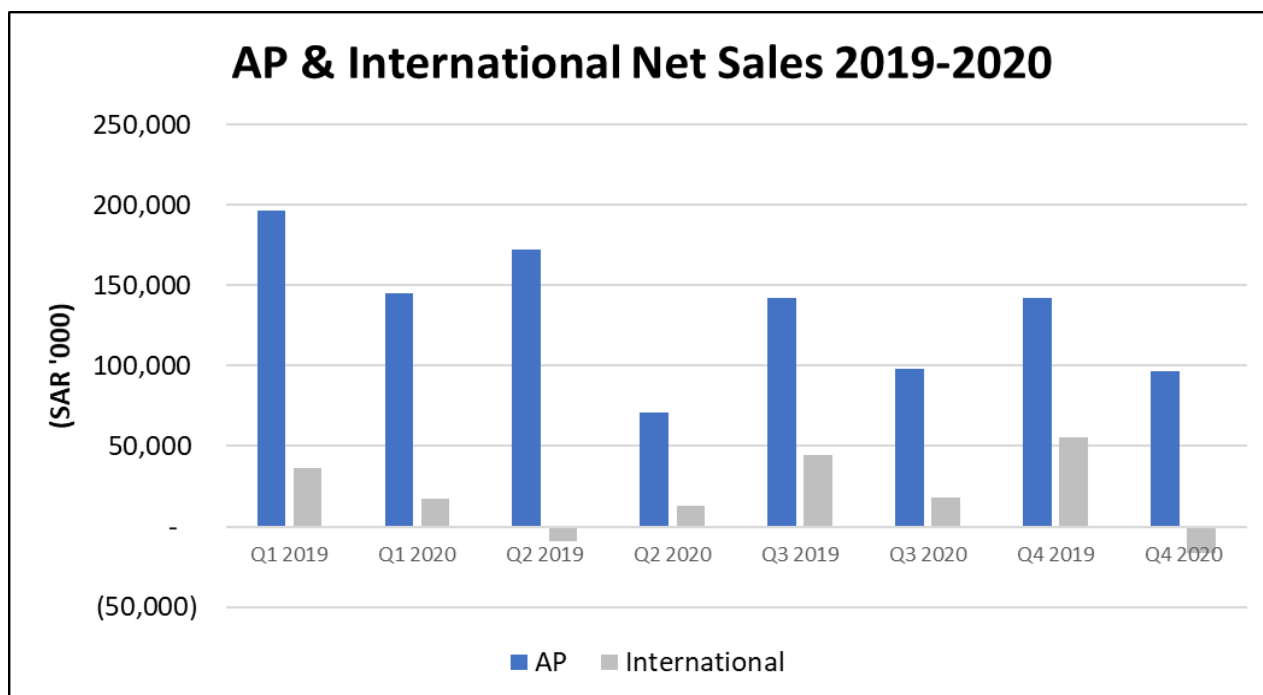


Figure 2: AP & International Net Sales (SAR'000).

During 2020 revenue has faced economics crises due to COVID-19 and as follow.

- The major projects were temporarily on hold the operation and lead to project cancellation (namely, Water improvement NWC, Hafer AlBatin water network, Jizan Seawater Cooling in various phases, SWCC Yanbu, Red Sea Dev. Project)
- Exporting complications/delay due to borders closed both land and ports.
- Global companies' financial crises.
- Shortage of raw materials
- Increasing of GRP competitor in the Market.

### 3.2 Manpower Reduction Program

Since April 2020 to date, the management of company is working hardly to reduce the cost of production in line with company mission, they have developed different strategy in the workforce and has approach a tangible number of saving in manpower cost through adopting the following plan: Eliminate double occupancy.

#### 3.2.1 Tips to lower Direct labor Cost

- Improve employee productivity
- Increase organization efficiency.
- Eliminate double occupancy.
- De-centralized function in the organization structure.
- Share Jobs between Employees
- Reduce Perquisites such as (Family dependent fees, Marital Status contract, Bonuses)
- Freezing Recruitment.



### 3.2.2 Company Employee Payroll Cost Saving Q1, Q2, Q3, Q4 2020

The Saudi Arabian Ministry of Human Resources and Social Development (“MHRSD”) has issued several resolutions and directives to deal with the measures taken in relation to employee entitlements during COVID-19.

Article 41 has been inserted in the Implementing Regulation of the Labor Law, which enables the employer and employee for a period of 6 months to agree to any of the following:

- Placing the employee on paid annual leave (as part of their holiday entitlement).
- Implementing a period of unpaid leave.
- Implementing SANID Program for 129 Saudi National

The above Rules have been implemented starting from second quarter of 2020.

#### Company Employee Cost-Saving SR 14,583,313

Month	Q1-2020	Q2-2020	Q3-2020	Q4-2020
Jan-20	7,763,581			
Feb-20	7,699,087			
Mar-20	7,523,911			
Apr-20		7,086,262		
May-20		6,147,694		
Jun-20		4,628,569		
Jul-20			5,283,858	
Aug-20			6,016,842	
Sep-20			5,909,151	
Oct-20				6,746,302
Nov-20				6,265,563
Dec-20				6,292,183

Table 4: Company Employees Payroll Cost 2020

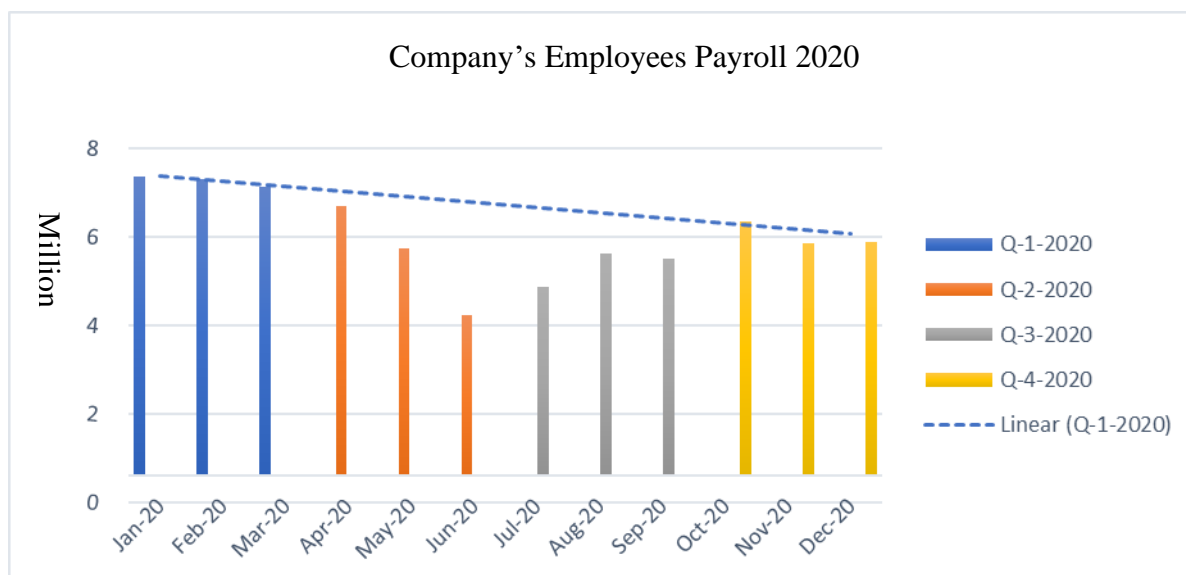


Figure 3: Company's Employees Payroll 2020

Month	Q1-2020	Q2-2020	Q3-2020	Q4-2020
Jan-20	1,295			
Feb-20	1,307			
Mar-20	1,316			
Apr-20		1,298		
May-20		1,301		
Jun-20		1,299		
Jul-20			1,292	
Aug-20			1,238	
Sep-20			1,215	
Oct-20				1,195
Nov-20				1,190
Dec-20				1,178

Table 5: Head Count Company Employees 2020

### 3.2.3 Ajeer Employees Payroll Cost Saving Q1, Q2, Q3, Q4 2020

There was increased in the cost of Ajeer Employees in the first quarter due to business requirement, but Human Resource department has implemented several resolution in coordination with the business to deal with the suppliers and as well with their employees to eliminate the cost during the period of COVID-19 and the followings actions were taking placed:

- Reviewed all manpower suppliers' contracts and terminate the services of those who will be expired within 3 months of COVID-19
- Placing the employee on paid annual leave (as part of their holiday entitlement).
- Implementing a period of unpaid leave.

The above Rules have been implemented starting from second quarter of 2020.

### Ajeer Employees Cost-Saving SR.13,146,753

Month	Q1-2020	Q2-2020	Q3-2020	Q4-2020
Jan-20	4,029,650			
Feb-20	4,500,820			
Mar-20	4,325,878			
Apr-20		3,877,728		
May-20		2,912,582		
Jun-20		2,751,071		
Jul-20			2,999,148	
Aug-20			2,861,250	
Sep-20			2,654,801	
Oct-20				2,780,534
Nov-20				2,410,001
Dec-20				2,175,176

Table 6: Ajeer Employee Payroll 2020

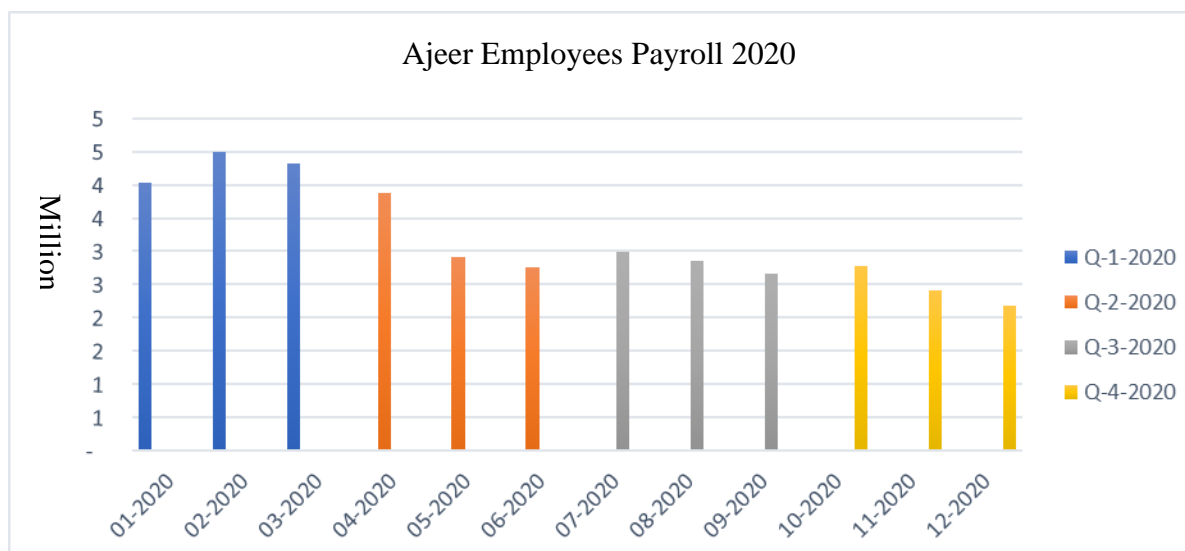


Figure 4: Ajeer Employees Payroll 2020

Month	Q1-2020	Q2-2020	Q3-2020	Q4-2020
Jan-20	1,284			
Feb-20	1,389			
Mar-20	1,342			
Apr-20		1,268		
May-20		1,215		
Jun-20		983		
Jul-20			986	
Aug-20			996	
Sep-20			898	
Oct-20				863
Nov-20				811
Dec-20				729

Table 7: Head Count Ajeer Employees

### 3.3 Government Fees Saving Program

According to the above-mentioned decision, our government relations department with the Passports and Labor Office, where we had 222 labors their IQAMA will expired during the period between April and June and were renewed according to the approved mechanism, so the renewal value that was exempted according to the decision was approximately 1,148,850 Saudi riyals.

Flowing to the above decision and in line with the article 41 all employees has consumed their annual leave balance of 2020 in KSA, apparently this procedure will be impact on saving ticket allowance around SR 1,604,078 was budgeted for the year 2020, from the backgrounds of the above procedure, the Governmental Relations Department stopped issuing exit Re-entry visas, for all expatriate employees and their eligible families, so the returned to the company with saving of SR. 237,600 was budgeted for the year 2020.

Despite Corona's virus pandemic during the above-mentioned period (the second quarter) of the year 2020 , and in line with the procedures of the Ministry of Health, and despite the objections we faced

from the manpower supplier, the Human Resources Department was able to release off approximately 613 employees, which resulted Saving during 2020 an approximate amount of SR.607,860.

The Saudi Electricity Company confirmed that the 30 percent reduction issued by the royal order will be applied to subscribers in the commercial, industrial and agricultural sectors for the bills of April and May, with compensation for those whose bills were issued for the month of April before the issuance of the royal order as a balance in the next bill , Amiantit got saving around SR.669,600.

### 3.4 Capital Expenditure for the year

No major capital expenditure for 2020.

Figure 3: Capital Expenditure for 6 years (SAR'000).

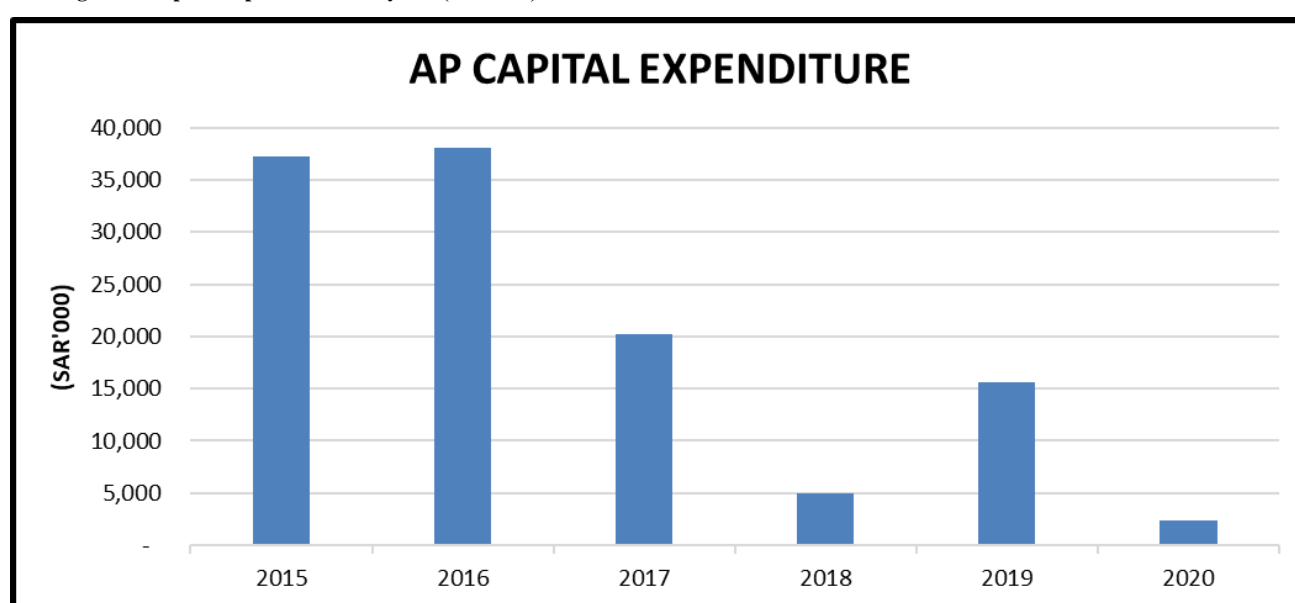


Figure 5: Capital Expenditure 6 years.

### 3.5 Significant Expansion Plans & Capital Expenditure

#### 3.5.1 Enhancing of Efficiency & Resourcing

- Enhance the efficiency of our existing tank production facility, along with developing and adoption of new tank designs which will significantly reduce our cost, and subsequently enhance our competitiveness, and ultimately increase our market share in this strategic segment
- Focus our limited resources on the new high yield products like valves. In this respect, we are now seeking the Ministry of Environment, Water and Agriculture of Saudi Arabia accreditation.
- Planning to boost Amiantit Rubber Industries Co. LTD (ARIL) by acquiring an automated batching plant with a small CAPEX to enable us to fulfil the governments projects requirements.
- In light of the limited pig iron availability we are being more selective in picking new business in Ductile Iron Industry. In this respect, we are more inclined to tackle high margin projects with small quantities vs low yield projects with large quantities
- Implementing strict credit policy and prioritizing collection
- Direct ISECC business to high yield projects that require high technical ability with the minimal use of resources.

### **3.5.2 Significant Pipe Expansion Plans**

- Invest in two GRP small diameter pipe manufacturing machines for the production of small diameter pipes in order to offset the backlog that we currently hold and to cater for the ever-increasing market demand for this pipe range
- Upgrade of AMIPOX machinery in order to significantly reduce production cost (three mandrel machines)
- Develop and Deploy Large diameter on-site GRP tanks production with probably U.S technology.
- Further automation of the tank production process in Amiantit for Fiberglass Industries Co. LTD (AFIL), and the automation of GRP flange production, along with expansion of capacity in AMICON in two years' time since the valve business is picking up rapidly (Valves).

### **3.5.3 Cost Reduction Control Program**

- Reduction of manpower & overtime control led us to a SAR 2:3 million reduction on monthly basis.
- In-house enhancement of machineries which reduces rejection thus increasing the output.
- Introducing new technic in fabrication which reduces the manhour and increases raw material efficiency.
- Replacement of LED lights all around the premises of operation with savings of around SAR 0.5 million per year.

### **3.5.4 Receivable & Ongoing Collection Efforts**

- Making a negotiation with all defaulting clients and discussing new payment plans to reschedule the due balance and recover our cash flow and increase AR turnover.
- Amiantit has become a member of Saudi Credit Bureau (SIMAH). It is an important step in gaining access to customer credit behaviors, obtaining accurate and up-to-date information, and accessing enforcement court decisions, thus enhancing creditworthiness evaluation, and further mitigating risk.
- Frequent visits (2036 Visits) have been done to more than 271 customers in 2020 from all collectors who made strong follow-up in order to accelerate the collection, complete missing documents, and enhance our position by obtaining new balance confirmations, and additional securities.
- We achieved collection by SAR 525 million in 2020 that represents 119% from total sales in 2020 (SAR 441 million) based on the below chart.

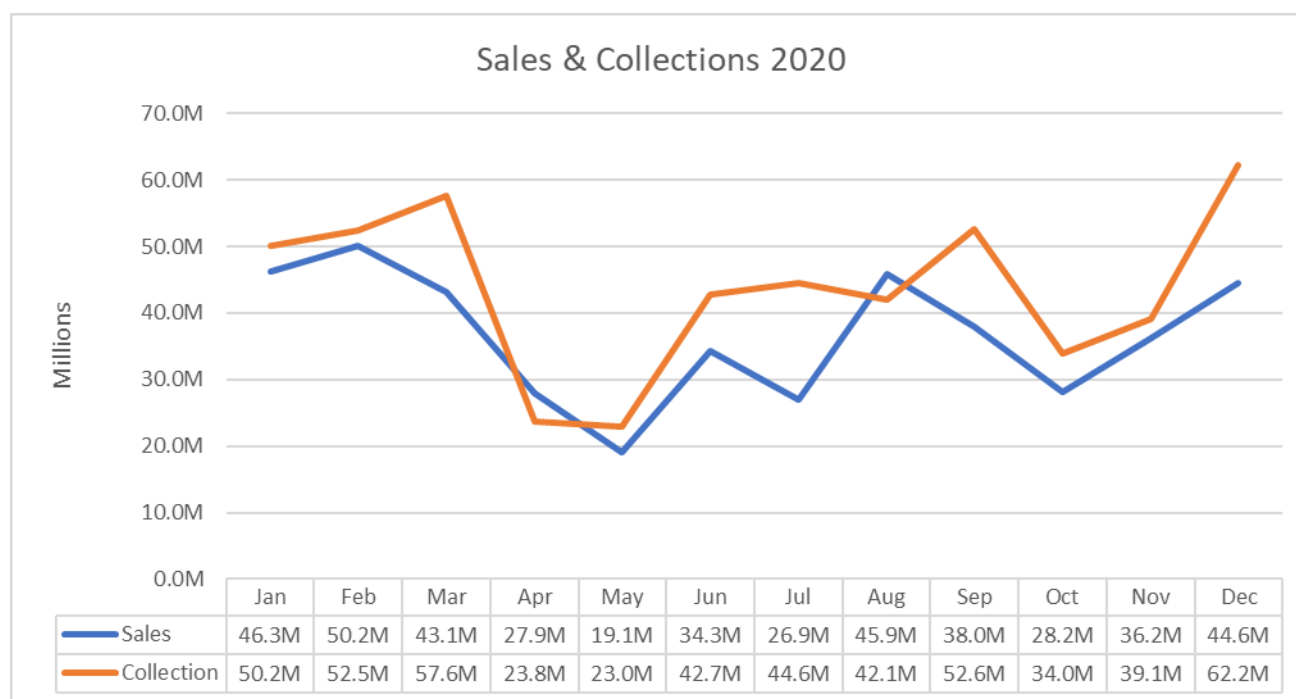


Figure 6: Sales & Collection 2020.

### 3.6 Industrial Lands

The Group owns two parcels of industrial land in Dammam since 1971 on which several plants of the Group are built. The two parcels are recorded in the Group's accounting records for SAR 1.4 million. While the ownership of the parcels is properly supported by official title deeds, management of the Group does not have any historical documentation to support the value for which these parcels have been accounted for in its records but has decided to keep the current book value for these lands as an estimate of the historical acquisition cost. The fair value of these parcels at 15 April 2020 was SAR 328.97 million.

Further, the Group owns a parcel of industrial land in Jeddah from 2009 onwards. This land is recorded at book value of SAR 150 million in the accounting records of the subsidiary and on the consolidated balance sheet of the Group. In addition, as at 31 December 2020, the Group has property, plant and equipment with a carrying amount of SAR 44.1 million (2019: SAR 49.4 million) constructed on this parcel of land. There was a challenge raised regarding the ownership of this land, and it has resolved positively in favor of the company, and we are in the process now to issue electronic land deeds. It worth noting that the company formed a provision by the whole value of the land because of this land's dispute.

### 3.7 Zakat, VAT, and Transfer Pricing

#### 3.7.1 Zakat Assessments.

- Saudi Arabian Ductile Iron Pipes Co. LTD (SADIP) (2009: 2010) We are trying to waive the Capital Gain Tax (CGT)'s penalties amounting to SAR 499 K under COVID 19 amnesty (still under process by GAZAT).
- Factory of Amiantit Rubber Industries Co. LTD (ARIL) (2009: 2013) We have escalated the objection to General Secretariat of Tax Committees and maximum Zakat exposure will be around SAR 671 K including penalties.



- Started 2014, we have created Zakat group for all entities owned to SAAC 100% and we're paying Zakat on consolidated level and file information return for each group entity.
- Saudi Arabian Amiantit (2014: 2018) we have received assessment during the year 2020 (We have submitted our objection financial year 2015 to 2018 (awaiting GAZAT reply), financial year 2014 we received partial acceptance of the objection and now we are going to escalate our objection to General Secretariat of Tax Committees.
- Factory of Bondstrand (2015: 2018) we have received assessment during the year 2020, GAZT has reduced the assessment amount in initial level correspondence by e-mails financial year 2015 to 2017 and the Company paid amounting to SAR 523 Thousand, financial year 2015, SAR 763 Thousand, financial year 2016 and 221 Thousand, financial year 2017 (financial year 2018 we have escalated our objection to General Secretariat of Tax Committees.
- We didn't receive Zakat assessment for the year 2019.

### **3.7.2 Exposure for (Long term receivable):**

- Our Zakat base for 2020 will increase in terms of Long-Term Receivables which we will not deduct it in the Zakat base for 2020, Zakat will be around SAR 45M. comparing with 29M. Zakat liabilities for 2019 after deducting 645 million riyal from Zakat base which is the value of long term receivable balance.

### **3.7.3 Zakat provisions for previous Years.**

- Starting 2014, we have deducted long term receivables - LTR (around SAR 500 M) from our Zakat base and re-filed 2014's ZR to be SAR 13 M instead of SAR 25 M (already paid in 2015)
- Same we did for 2015: 2018 which resulting Credit balance for SAAC with GAZT amounting SAR 13 M.
- However, we have maintained our Zakat provisions considering long term receivables as part of our Zakat base.

### **3.7.4 VAT Payments:**

- During 2020, the company paid SR 16,941,012 for VAT in favor of General Authority of Zakat and Tax.

### **3.7.5 Withholding Tax:**

- During 2020, the company paid SAR 1,218,449 for withholding tax.
- Currently, the company implement a new project over SAP program), We expect to go-live during 2021, which will strengthen our reports' accuracy and validity.

### **3.7.6 Transfer pricing:**

- This is to assure that all intercompany transactions i.e. Material, Services & IC charges must be on arm's length comparing with third parties' selling price.
- Costing dep., Central Procurement & Accounting dep. Are responsible to assure and consider the above based on our consultant's relevant reports & exercises.
- Any transfer prices' adjustments will be added to ZAKAT base.

### 3.8 Restatement of Equity on Prior Years

During 2020, errors in previously recorded liabilities amounting to SR 14.1 Million were identified which did not represent any present obligation of the Group and management does not expect any future outflow of the resources in respect of those erroneously recorded liabilities. Hence, the identified error has been corrected in these consolidated financial statements and opening equity balance of 2019 has been restated accordingly.

### 3.9 Share Capital Reduction and Increase by Rights Issue

On 1st Dec, 2020 (corresponding to 16 RABIA THANI 1442H), the Company's shareholders in their Extraordinary General Assembly (EGA) approved a share capital reduction from SR 344.5 Million to SR 200.0 Million by reducing the number of shares from 34.5 million shares to 20.0 million shares of SR 10 each to offset SR 144.5 Million of the Company's accumulated losses. At the same (EGA), approved right issue of 12 million ordinary shares of SR 10 each to increase the number of shares from 20.0 million shares to 32.0 million shares of SR 10 each and use the net proceeds to finance the working capital as well as repayment of certain dues to suppliers and commercial banks.

### 3.10 Absorption of losses through Statutory Reserve

Having reviewed the financial statements of the company for the second quarter of 2020, which has been approved by the Board of Directors on 20 August 2020, the total accumulated deficit has reached approximately SR 206.9 Million, which represented 60.0 % of the share capital. In accordance with Article (130) of the Companies' Law which allows to use part from the legal statutory to off-set the deficit, & in accordance with the powers conferred upon the Board of Directors by virtue of the Company's By-Laws, the Board of Directors has resolved on 26 August 2020 to reduce the legal statutory at 30.2% by conversion of SR 57.3 Million out of SR 189.5 Million to off-set part of the accumulated deficit.

## 4 Risk Management:

### 4.1 Macroeconomic Risk:

Sales of the group products are prone to be affected by the microeconomic factors and those consequences affect the ultimate results of the company, and the group starts to expand their market share through enhancing the relationships with customers and all concerned government institutions, and improving the pricing policies, and create alternatives in credit collateral that suits a bigger segment. The Group uses derivatives to manage market risks exceeding acceptable parameters. The Group seeks to apply hedge accounting to manage volatility in profit or loss.

*Given the (likely) impact of coronavirus, the outlook has not exactly improved since then. Yet our revenue assumption is still a bit more upbeat.*

### 4.2 Financial Risk:

The financial crisis and global economic downturn have caused a sharp deterioration in public finances across advanced economies. Financial risk tends to induce tunnel vision, especially in the wake of a market downturn or when you fear market uncertainty. However, risk, danger, and opportunity are closely aligned aspects of uncertainty, and you need to consider each aspect as you make investment decisions. In more recent years, the overall increase of credit rating risk of banks for companies operating in the contractual and capital goods industries has led banks to increase their lending premiums for the companies as it is directly subject to macro-economic risks the industry is exposed to.

Group's management believes that the exposure to currency risk associated with USD is limited as the Group's currency is pegged to USD. The fluctuation in exchange rates against Euro is monitored on a continuous basis.

Interest rate risk is the exposure associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. Variable-rate financial liabilities as of 31/12/2020 amounted to SR1,142.7million (31 December 2019: SR 1,206.3 million).

Management monitors the changes in interest rates and utilizes interest rate swaps to manage interest rate risk exceeding certain parameters.

An Increase in days of payable invoices in favor of a timely supply of RM and provide free cash flow for the bank's borrowings.

### 4.3 Credit Risk:

Credit risk is the risk that one party to a financial instrument may fail to discharge an obligation and cause the other party to incur a financial loss.

The group manages credit risk with respect to receivables from customers by monitoring them in accordance with defined policies and procedures. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing basis. In addition to Cash balances are held with banks with sound credit ratings.

### 4.4 Liquidity Risk:

Liquidity risk is the risk that the Group may 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. and it worth noting that despite all Macroeconomic factors mentioned above, the contractual maturities of financial liabilities regarding the trade payable, and borrowings in 2020 is lesser than 2019 by 80 million Riyal. As the group settled all loans for 5 banks amounted by 107 Million riyals.

### 4.5 Reputation Risk:

Reputational risk can occur in the following ways: Directly, as the result of the actions of the company itself. Indirectly, due to the actions of an employee or employees.

Standardization, technology, policies, and procedures reduce the likelihood and severity of events that could cause reputational damage. By focusing on consistently supplying quality products and services, it is much less likely that there will be a harmful mistake.

## 5 Summary of Financial Data:

### 5.1 Financial data:

The consolidated figures and statements for the year 2020 cover the following business segments of the Group:

- Manufacturing and sales of pipes and associated technology.
- Water management.

Year	2020	2019	2018	2017	2016
Net Sales	441,023	780,409	947,594	792,344	1,364,014
Gross Margin percentage	-14.77%	-18.77%	10.14%	15.71%	8.39%
Selling, General, & Administrative expense	88,263	96,868	118,127	125,248	143,384
Impairment loss on financial assets	105,598	4,133	19,101	4,524	78,007
Net Profit (loss)	(393,867)	(344,817)	(231,226)	(91,546)	(225,431)
Cash Flow from Operations	(82,163)	216,191	298,178	247,686	437,565
Capital Expenditure	2,554	8,948	5,008	21,454	56,330
Total Assets	2,252,908	2,418,817	2,869,754	3,178,906	3,411,262
Total Liabilities	2,084,150	2,056,610	2,155,504	2,180,876	2,400,844
Total Equity	168,758	362,207	714,250	998,030	1,010,418
Paid Dividends	-	-	-	-	75,075

Table 8: Key Financial Highlights for Last Five Years 2016-2020 (SAR '000)

Note: from 2016 to 2017 European entities were considered as discontinued operation.

from 2017 to 2020 ASAL & SACOP were also considered as discontinued.

## 5.2 Comments on Long-Term Trends

During 2020 the group continuously improved the quotation intake by reassuring to be more competitive with good prices and win the Bid strongly introducing the quality of the product and approval certificate. However, the expectation did not reach to convert into orders due liquidity of the end user or customers and as will as Amiantit end. Which is led to lower sales plus the effect of delivery commitment that Amiantit have a lower ability to produced according customer project schedules. We are working very closely now with the local content authority, Amiantit scored 77% in Iktiva and 48.5% with the local content, SADIP will benefit from 30% exclusive price protection from any order issued for any government entity compared to non-Saudi product. This graph below illustrates the comparison of sales in the GCC (KSA and exports) over 2019 and 2020:



Following the same strategy of last year, and anticipating the continuation of the downturn, the Group focused on the cash flow, in order to reduce the loans from banks proportionally to the anticipated decrease in the business volumes. Accordingly,

- Credit policy to customers was tightened, enlarging the requirement for Letter of Credits, promissory notes, or advance payments,
- A significant effort was made on boosting collections with a restructuring in the collection department and an important involvement of the Corporate Legal Department,
- Payment terms with suppliers were renegotiated.

As a result, bank loans were reduced by a net amount of SAR 63.5 million (2019: SAR 136.6 million) over the year.

## 6 Geographical Analysis of Gross Sales

Net Sales	2020		2019	
	Amount	Percentage	Amount	Percentage
Saudi Arabia				
Central	56,875	12.90%	100,660	12.90%
West	71,036	16.11%	50,081	6.42%
East	217,238	49.26%	209,146	26.80%
Exports from KSA	65,175	14.78%	293,497	37.61%
<b>Total Saudi Arabia</b>	<b>410,325</b>	<b>93.04%</b>	<b>653,384</b>	<b>83.72%</b>
<b>Europe</b>	<b>19,114</b>	<b>4.33%</b>	<b>105,649</b>	<b>13.54%</b>
<b>Other countries</b>	<b>11,584</b>	<b>2.63%</b>	<b>21,376</b>	<b>2.74%</b>
<b>Total</b>	<b>441,023</b>	<b>100.00%</b>	<b>780,409</b>	<b>100.00%</b>

Table 9: Distribution of Gross Sales by Geographic Region (SAR '000):

The share of domestic sales during 2020 was 93.04% of total sales compared with 83.72% in 2019. The pipe sector sales reached 82.24% of the total sales, compared to 77.81% in 2019, the water management sector sales reached SAR 19.1 Million compared to SAR 105.6 Million in 2019 and the services sector sales reached SAR 59.2 Million compared to SAR 67.5 Million in 2019.

## 7 Explanation of Material Changes in the Operating Results Compared to Prior Year

### 7.1 Summary results

	2020	2019	Difference	Percentage
Sales	441,023	780,409	(339,386)	-43.49%
Cost of sales	(506,171)	(926,922)	420,751	-45.39%
<b>Gross profit</b>	<b>(65,148)</b>	<b>(146,513)</b>	<b>81,365</b>	<b>-55.53%</b>
Selling, general, & administrative expense	(88,263)	(96,868)	8,605	-8.88%
Impairment loss on financial assets	(105,598)	(4,133)	(101,465)	2,455.00%
<b>Loss from operation</b>	<b>(259,009)</b>	<b>(247,514)</b>	<b>(11,495)</b>	<b>4.64%</b>
Other (expenses) income, net	(51,263)	961	(52,224)	-5,434.34%
Share of net income in associates	24,808	25,511	(703)	-2.76%
Financial charges, net	(64,081)	(100,210)	36,129	-36.05%
<b>Loss before zakat and foreign income tax</b>	<b>(349,545)</b>	<b>(321,252)</b>	<b>(28,293)</b>	<b>8.81%</b>
Foreign income tax and Zakat	(44,974)	(21,597)	(23,377)	108.24%
Profit after tax from discontinued operations	652	(1,968)	2,620	133.13%
<b>Loss for the year</b>	<b>(393,867)</b>	<b>(344,817)</b>	<b>(49,050)</b>	<b>14.22%</b>

## 7.2 Explanation of Changes

### 7.2.1 Net Sales

- Sales for the year had decreased by SAR 339.4 million or 43.49% from last year. This include the SAR 38.2 Million (2019: SAR 71.2 Million) adjustment on revenue contract of PWT Germany during the year based on the risk analysis of existing projects.

	Sales 2019	Sales 2020	Increase (Decrease)	Percent
Pipe sales – GCC	585,885	351,120	(234,765)	-40.07%
Pipe sales – Other regions	21,376	11,584	(9,792)	-45.81%
<b>Total Pipe Sales</b>	<b>607,261</b>	<b>362,704</b>	<b>(244,557)</b>	<b>-40.27%</b>
Services	67,499	59,206	(8,293)	-12.29%
Water management	105,648	19,113	(86,535)	-81.91%
<b>TOTAL Group</b>	<b>780,409</b>	<b>441,023</b>	<b>(339,386)</b>	<b>-43.49%</b>

Table 10: Segments Net Sales (SAR'000)

Pipe sales in the Arabian Peninsula decreased by SAR 234.8 million or 40.07% as follows:

	Sales 2019	Sales 2020	Increase (Decrease)	Percent
Ductile iron	198,972	136,990	(61,982)	-31.15%
Glass reinforced polyester	266,786	160,054	(106,732)	-40.01%
Epoxy	110,918	45,774	(65,114)	-58.73%
Others	9,209	8,302	(907)	-9.85%
<b>TOTAL</b>	<b>585,885</b>	<b>351,120</b>	<b>(234,765)</b>	<b>-40.07%</b>

Table 11: GCC Pipe Sales (SAR'000)

### 7.2.2 Cost of Sales

The decrease in cost of sales for the year of SAR 420.8 million or 45.39% comparing to 2019 comes mainly from the impact of several non-recurring provisions booked in 2019 as follows:

	2020	2019
Adjustments and impairments on inventories	-	10.0
Unexpected costs on existing projects	-	6.9
CGU Impairment, net of reversal	-	125.7
<b>Total</b>	<b>-</b>	<b>142.6</b>

### 7.2.3 Selling, General, & Administrative Expense

Selling, General, & Administrative Expense for the year had decreased by SAR 8.6 million or 8.88% from last year. This is mostly caused by the decrease on marketing and sales promotions (SAR 2.2 million), know-how fees (SAR 2.1 million), travel related expenses (SAR 1.9 million), information technology and communications expenses (SAR 0.9 million), and repairs and maintenance expense (SAR 0.7 million) respectively.

### 7.2.4 Impairment loss on financial assets

Impairment loss on financial assets for the year had increased by SAR 101.5 million from last year's total provision of SAR 4.1 million.



### 7.2.5 Share in Net Income of Associates

The net income from affiliates had a very promising result of SAR 24.8 million during the year, a minimal decrease of SAR 0.7 million or 2.76% from last year's income of SAR 25.5 million. Amiblu, East Gas, Amiantit Qatar, and Tawzea continued to deliver positive results year on year.

### 7.2.6 Sale of Investment in Associates

During the year, the Company has sold 50% and 49% of its ownership in AFEC Egypt and Ameron Egypt for an amount of SR 7.5 million, these investments were fully impaired prior to the disposal, upon disposal, management has realized an amount of SR 15.7 million as loss on disposal of investment in equity accounted investment. The losses were recorded net of realized loss on foreign currency translation of SR 23.2 million.

Also, during the year, the Company has sold 15% of its ownership in Amensouss for an amount of SR 6.4 million, the carrying amount of this investments was SR 7.4 million prior to the disposal, upon disposal, management has realized an amount of SR 2.86 million as loss on disposal of investment in equity accounted investment. The losses were recorded net of realized loss on foreign currency translation of SR 1.76 million.

Also, during the year, the company has sold all its shares in Amitech Morocco Company for fiberglass amounting to 1,094,999 shares representing 50% from the capital of this company, and Amiblu which owned 50% from its share capital, whereby the deal amount is 2,700,000 Euro which is 12,026,322 Saudi riyals. And for the financial impact of this deal, we will have net income by SAR 16,977,199, and this amount represents sale price in addition to the trade receivables which amortized previously by SAR 4,950,877. The company amortized this investment value completely in 2018 including the accrued trade receivables of Amitech Morocco for Saudi Arabian Amiantit, and the book value for this investment is zero, so it will have generated net cash from this deal amounting to SAR 12,026,322.

### 7.2.7 Financial Charges

Financial charges have decreased by SAR 36.1 million or 36.05 % from last year caused by lower profit rates from major lenders and lower The Saudi Arabian Interbank Offered Rate (SAIBOR rate)(1-YR) from 2019.

### 7.2.8 Impairment on Assets

The net impairment charges on current and non-current assets amounted to SAR 153.7 million in 2020 (2019: SAR 213.8 million).

	2020	2019
Receivables Impairment, net – IFRS 9 Alignment <sup>(1)</sup>	105.6	-
Saudi Arabian Ductile Iron Pipe Co. Ltd. - PPE Impairment <sup>(2)</sup>	-	81.7
Factory of Bondstrand - PPE Impairment (Reversal) <sup>(2)</sup>	-	16.3
Amiantit Fiberglass Industries Co. Ltd - PPE Impairment (Reversal) <sup>(2)</sup>	-	27.8
Obsolete & slow-moving inventory and work-in-progress cost provision <sup>(3)</sup>	-	16.9
Adjustment on WIP contract projection of existing projects <sup>(4)</sup>	38.2	71.2
Impairment on Investment in Amiblu <sup>(5)</sup>	9.9	-
<b>Impairments &amp; Provisions</b>	<b>153.7</b>	<b>213.8</b>

term receivables amounting to SAR 35.9 million, provision for doubtful debts under legal procedures amounting to SAR 65.6 million and discount on long term retention amounting to SAR 4.1 million. This impairment is taken as part of the IFRS 9 Expected Credit Losses provisioning adjustment.

- (2) On June 30, 2020, as part of the annual impairment test required by IFRS standards the Group tested all applicable Cash Generating Units (CGUs) for impairment. As a result, the Group booked significant property, plant, & equipment impairment charges amounting to SAR 125.7 million. For the period between June 30, 2019 to December 31, 2020, there were no indicators of additional impairment nor indicators of reversal in previously recorded impairment.
- (3) Impairment of inventory under IAS 2 "Inventories", under NRV testing by 2 local cash generating units amounting to SAR. 10 Million and provisional cost of SAR 6.9 Million that were not projected on its existing work-in-progress contract project of PWT Germany in Turkmenistan were incurred in 2019.
- (4) Based on risk analysis of PWT Germany existing projects, adjustment on work-in-progress contract revenue projection was booked during the year amounting to SAR 38.2 million (2019: SAR 71.2 million) on existing projects in Iraq, Germany, Turkmenistan, Turkey & Yemen.
- (5) On December 31, 2020, the management had performed an impairment test for Amiblu. The recoverable amount of Amiblu has been determined based on a value-in-use calculation. Key assumptions used in this analysis include a post-tax discount rate which was calculated using a Weighted Average Cost of Capital (WACC) methodology of 7.57% and a growth rate of 1% for each business unit. As a result of the above-mentioned assessment, the difference between the recoverable amount of the investment and its carrying amount as of December 31 amounting to SAR 9.9 million was recorded as impairment loss against the embedded goodwill.

## 8 Accounting Standards

### 8.1 Departure from IFRS Accounting Standards

The Group did not deviate from mandatory IFRS standards adopted by SOCPA.

### 8.2 IFRS Implementation: Changes in accounting policies and procedures

#### 8.2.1 *New IFRS standards, amendments to standards and interpretations not yet adopted.*

Certain new accounting standards, amendments to standards and interpretations have been published by the IASB that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

#### 8.2.2 *New and amended IFRS standards adopted by the Group.*

There are no new standards applicable to the Group, however, the Group has applied the following amendments to the standards for the first time for their reporting periods commencing on or after 1 January 2020:

#### 22 8.2.3 *Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform*

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that Interbank Offered Rate ("IBOR") reform

should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the statement of profit or loss and other comprehensive income.

#### 8.2.4 Other amendments to standards

Certain other amendments to standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments to standards.

## 9 Corporate Structure:

### 9.1 Branches:

Branches of the mother Company (by industrial license or branch commercial registration certificate or both of them) are 100 % owned. The branches do not represent separate legal entities.

#	Company	Activity	Country	Establishment Place	Amiantit Share
1	Saudi Arabian Amiantit Co.	Riyadh Marketing Office	KSA	Riyadh-KSA	100%
2	Saudi Arabian Amiantit Co.	Jeddah Marketing Office	KSA	Jeddah-KSA	100%
3	Amiantit Polyolefin Piping System Factory	Polyolefin Piping	KSA	Jeddah-KSA	100%
4	Amiantit Plastic Products Co.	Plastic production	KSA	Dammam-KSA	100%
5	Epoxy Pipe Co. (Amipox)	Epoxy pipes	KSA	Dammam-KSA	100%
6	Amiantit Research & Development Center	Research & Development	KSA	Dhahran-KSA	100%
7	Saudi Arabian Amiantit Construction, Maintenance, and operation Co.	General Contracting & Industrial Maintenance	KSA	Dammam-KSA	100%
8	Branch of Amiantit Fiberglass Industries Co. Ltd (AFIL)	Pipes Production	KSA	Jeddah-KSA	100%
9	Branch of Amiantit Fiberglass Industries Co. Ltd (AFIL)	Pipes Production	KSA	Dammam-KSA	100%
10	Branch of Amiantit Fiberglass Industries Co. Ltd. (AFIL)	Contracting	KSA	Dammam-KSA	100%
11	Branch of Saudi Arabian Ductile Iron Pipes Co. Ltd	Pipes Production	KSA	Dammam-KSA	100%
12	Branch of Saudi Arabian Ductile Iron Pipes Co. Ltd	Contracting	KSA	Dammam-KSA	100%
13	Branch Infrastructure Engineering Contracting Co. Ltd.	Construction and machines sales	KSA	Dammam-KSA	100%
14	Branch Infrastructure Engineering Contracting Co. Ltd.	Design and Installation services	KSA	Jeddah-KSA	100%
15	Infrastructure Engineering Contracting Co. Ltd. (ISECC Kuwait)	Design and Installation services	Kuwait	Kuwait	100%
16	Infrastructure Engineering Contracting Co. Ltd. (ISECC Dubai)	Design and Installation services	Dubai	UAE	100%
17	Infrastructure Engineering Contracting Co. Ltd. (ISECC Qatar)	Design and Installation services	Qatar	Qatar	100%
18	Infrastructure Engineering Contracting Co. Ltd. (ISECC Abu Dhabi)	Design and Installation services	Abu Dhabi	UAE	100%
19	Infrastructure Engineering Contracting Co. Ltd. (ISECC Oman)	Design and Installation services	Muscat	Oman	100%

*Note: Branches do not have capital, and they do not issue financial statements.*

## 9.2 Fully or Partially owned Subsidiaries

Table 3: List of fully or Partially owned Subsidiaries.

#	Company	Activity	Establishment	Capital	SAAC Share
1	Amiantit Fiberglass Industries Co. Ltd “AFIL”	Pipes Production	Dammam, KSA	SAR 180 million	100%
2	Amiantit Rubber Industries Ltd. Co.	Rubber gaskets & pipe fittings	Dammam, KSA	SAR 8.75 million	100%
3	Saudi Arabian Ductile Iron Pipes Co. Ltd	Pipes Production	Dammam, KSA	SAR 280 million	100%
4	Ameron Saudi Arabia Ltd. Co. (Under Liquidation)	Pipes Production	Dammam, KSA	SAR 76.5 million	100%
5	Factory of Bondstrand Co. Ltd	Pipes Production	Dammam, KSA	SAR 20 million	60%
6	Saudi Arabia Concrete Products Co. (SACOP) Under Liquidation	Pipes Production	Jeddah, KSA	SAR 12.250 million	100%
7	Saudi Amicon Co. Ltd.	Pipes and Valves production	Dammam, KSA	SAR 15 million	99.93%
8	International Infrastructure Management and Operation Co. Ltd.	Management of water projects and plants and sub-Holding of companies operating in the same field	Dammam, KSA	SAR 100 million	100%
9	Al Arabia for Trade	Industrial Machines Trade	Dammam, KSA	SAR 2 million	100%
10	Amiantit International Holding Co. WLL	Holding Company	Manama, Bahrain	US\$ 32 million	100%
11	Ductile Technology Co. W.L.L.	Selling, buying, and rental of Real Estate	Manama, Bahrain	BD 20,000	100%
12	Aquamundo GmbH	Water Management	Germany	Euro 3 million	100%
13	P.W.T Wasser und- Abwassertechnik GmbH	EPC of Water Treatment Plants	Germany	Euro 3 million	100%
14	Amiantit Malta Holding Ltd.	Holding	Malta	Euro 49.03 million	100%
15	LLP Amitech Astana	Production of pipes	Kazakhstan	KZT 403 million	51%
16	Amitech Switzerland AG	Holding	Switzerland	CHF 10.5 million	100%
17	Flowtite Engineering GmbH (under liquidation)	Consulting / technology	Germany	Euro 30,000	100%
18	Saudi PWT Ltd.	Water Management	Dammam, KSA	SAR 500,000	100%
19	Arabian PWT	PWT Water Management Branch	Dammam, KSA	SAR 500,000	100%
20	PWT SUW OOO Turkmenistan	Water Management	Turkmenistan	USD 250,000	100%
21	Infrastructure Engineering Contracting Co. Ltd.	Design and Installation services	Dammam, KSA	SAR 500,000	100%
22	Saudi Arabian Amiantit Management Co. Ltd.	Management	Dammam, KSA	SAR 10,000	100%
23	Flowtite Eksport AS (under liquidation)	Sales & Trading	Germany	NOK 1 million	100%

## 9.3 Affiliated Companies:

Table 4: List of Affiliated Companies

#	Company	Activity	Establishment Place	Capital	Amiantit Share%
1	SPA Amitech Algerie	Pipes Production	Algeria	Alg. Dinar 262.8 million	50%
2	*Amitech Morocco (Sold)	Pipes Production	Morocco	MAD 122 million	50%
3	Amiantit Qatar Pipes Co. W.L.L.	Pipes Production	Qatar	QR 37.2 million	40%
4	Eastern Gas	Gas distribution	Dammam, KSA	SAR 40 million	13%

5	Sarplast S.A. (under liquidation)	Pipes Production	Switzerland	Euro 1.6 million	23.7%
6	Amitech Libya	Pipes Production	Libya	Din 1.0 million	40%
7	Sarplast Qatar W.L. L	Pipes Production	Qatar	QR 200,000	20.4%
8	Subor Boru Sanayi Ve Ticaret AS	Pipes Production	Turkey	TRY 48.3 million	50%
9	Subor Gap Sanayi Ve Ticaret AS	Pipes Production	Turkey	TRY 21.7 million	40%
10	Amitech Pipe Systems SRL	Trading of Pipes	Romania	RON 327,620	50%
11	Amiblu Holding GmbH	Pipes Production	Austria	EUR 5.950 million	50%
12	International Water Distribution Company Ltd (Tawzea).	Water Distribution	Jeddah, KSA	SAR 101 million	50%
13	*Amenous (Sold)	Trading	Morocco	MAD 100 Million	15%
14	Initiative Industrial Spa	Pipe Production	Italy	EUR 3.7 million	4.48%
15	Tawzea Aquapor	Water Distribution	Jeddah, KSA	SAR 500,000	35%

In addition to the above, the Company has several commercial representation offices inside Saudi Arabia and abroad.

\*Subsequently Amiantit has announced in Tadawul 24 of Nov 2020, the shares selling of Amitech Morocco and Amensous Morocco.

## 10 Details of Issued Shares & Debt Instruments of Subsidiaries

The issued shares of the subsidiaries are as follows:

Subsidiary	Issued shares	Shareholders
Amiantit Fiberglass Industries Ltd.	180,000 ordinary shares of each SAR 1,000 per share	1. Amiantit 100%
Saudi Arabian Ductile Iron Pipe Co. Ltd.	180,000 ordinary shares of each SAR 1,000 per share	1. Amiantit 100%
Bondstrand Ltd.	20,000 ordinary shares of each SAR 1,000 per share	1. Amiantit 60% 2. Ameron BV. Holland 40%
Ameron Saudi Arabia Ltd. (under liquidation)	76,500 ordinary shares of each SAR 1,000 per share	1. Amiantit 100%
Amiantit Rubber Industries Ltd.	8,750 ordinary shares of each SAR 1,000 per share	1. Amiantit 100%
Saudi Arabia Concrete Products Ltd. (under liquidation)	24,500 ordinary shares of each SAR 500 per share	1. Amiantit 100%
Saudi Amicon Co. Ltd.	15,000 ordinary shares of each SAR 1,000 per share	1. Amiantit 100%
LLP Amitech Astana	Charter Capital of KZT 403 Million- Limited Liability Partnership	1. Amiantit International Holding Co. 51% 2. Abykayev M 34% 3. Gavrilov V 10% 4. Listopadney G 5%
Amiantit International Holding Co. WLL	32,000 ordinary shares of each USD 1,000 per share	1. Amiantit 99.94% 2. Amiantit Fiberglass Ind. Ltd .06%
Amitech Switzerland AG	112 ordinary shares of each CHF 1,000 per share	1. Amiantit international Holding 10.71% 2. Amiantit Malta Holding Ltd. 89.29%
Ductile Technology Co. W.L.L.	200 ordinary shares of each BHD 100 per share	1. Amiantit 75% 2. Amiantit International Holding 25%
Flowtite Engineering GmbH (under liquidation)	1 ordinary share of EUR 30,000	1. Amitech Switzerland A. G. 100%
Arabian PWT	500 ordinary shares of each SAR 1,000 per share	1. P.W.T Wasser Co. 100%
Aquamundo GmbH	10 ordinary shares of each EUR 300,000 per share	1. P.W.T Wasser Co. 100%
P.W.T Wasser und- Abwassertechnik GmbH	10 ordinary shares of each EUR 300,000 per share	1. Amiwater 100%

PWT Saudi Arabia Co.	500 ordinary shares of each SAR 1,000 per share	1. P.W.T Wasser Co. 51% 2. Amiwater 49%
PWT SUW OOO Turkmenistan	1 ordinary shares of each USD 250,000 per share	1. P.W.T Wasser Co. 99% 2. Aquamundo Co. Ltd. 1%
International Infrastructure Management and Operation Co. Ltd.	100,000 ordinary shares of each SAR 1,000 per share	1. Amiantit 80 % 2. Amiantit Fiberglass Industries Ltd. 20%
Infrastructure Engineering Contracting Co. Ltd.	500 ordinary shares of each SAR 1,000 per share	1. Amiantit 100%
Saudi Arabian Amiantit Management Co. Ltd.	10 ordinary shares of each SAR 1,000	1. Amiantit 90% 2. Amiwater 10%
Al Arabia for Trade	2000 ordinary shares of each SAR 1,000	1. Amiantit 100%
Flowtite Eksport AS (under liquidation)	1,000 shares of each NOK 1,00	1. Amiantit Malta Holding Ltd 100%

**Notes:**

- The Subsidiaries have not issued marketable debt instruments. The only external financial debts of the subsidiaries are represented by bank loans, which are covered under section 15.
- The entities under liquidation are mostly dormant entities, and the liquidation process will not have any material impact on the financial statements of the Group.

## 11 Dividends Policy:

The Company distributes the profits according to the following policy:

- **The Company's net profits after deduction of general expenses and other costs shall be distributed as follows:**
  1. A ten percent (10%) of net profits shall be allocated aside as a statutory reserve. However, the general assembly may stop this allocation if the statutory reserve reached 30% of the capital.
  2. The general assembly could resolve to allocate additional reserves to the extend achieving the company's interest or securing a distribution of fixed dividends as much as possible to the shareholders. The assembly as well could allocate from the net profit lump sum to form social institutions for the workers or to assess such current institutions.
  3. Following the above, an amount representing 5% of paid-up capital shall be distributed to the shareholders of the company.
  4. The balance shall be distributed as additional dividends to the shareholders.
- **The dividends to be distributed to the shareholders shall be paid at the place and dates specified by the Board of Directors. The company shall distribute the profits according to the following policy, consistent with the articles of association:**
  1. The net profits, after calculating the statutory provisions, and amortizing any carry-over losses, must be positive and sufficient to ensure their ability to be distributed.
  2. Availability of the necessary liquidity for the company or being able to obtain or borrow to obtain the necessary liquidity.
  3. The profit distribution does not conflict with any bank agreements or financial pledges.
  4. The profit dividends process does not limit the company's ability to continue its growth and seize available opportunities.
  5. Profits are distributed to shareholders through direct deposit in their portfolios automatically and in coordination with Tadawul.

### 11.1 Distribution of Intern Dividends:

According to the rules and regulations of the Saudi Capital Market Authority, the company may distribute phases dividends to its shareholders on biannual or quarterly basis after satisfaction of the following requirements:



1. The ordinary General Assembly authorizes the board of director to distribute intern dividends by a decision issued annually.
2. The company shall have regular good profits.
3. The company shall have reasonable liquidity according to which the company may expect the level of its profits.
4. The company shall have distributable dividends according to the last audited financial statements sufficient to cover the proposed dividends after deduction, capitalization, and distributed profits after the date of the financial statements.

The shareholder deserves a share of profits according to the decision of the General Assembly issued in this regard. The decision shall determine the accrual and distribution dates. The entitlement of profits shall be for the shareholders recorded in the Shareholders' Register at the end day of the date of profit entitlement.

### 11.2 Distribution of Preferred Shares' Dividends:

If no profits were distributed in any fiscal year, it is not allowed to distribute profits during the following years unless after payment of the certain percentage determined in Article (114) of the Companies' Laws for the preferred shareholders for that year. If the company failed to pay the percentage determined in Article (114) of the Companies' Law, for three consecutive years, the General Assembly of the preferred shareholders concluded in terms of Article (89) of the Companies' Law, shall decide either their attendance of the General Assembly meeting and participate in voting, or appointment of their representatives in the board of directors according to their proportion of ownership in the Company's capital, until the company is able to pay all priority profits allocated for the holders of these shares for the previous years.

## 12 Requests of Shareholders Book Application:

*The shareholder registry was requested during 2020 as follows:*

Number of request shareholder book application	Date	Reasons
1	21/01/2020	Company procedures
2	25/04/2020	Company procedures
3	28/04/2020	General Assembly meeting.
4	17/09/2020	Company procedures
5	09/11/2020	Company procedures
6	17/11/2020	General Assembly meeting.
7	23/11/2020	Company procedures
8	01/12/2020	General Assembly meeting.
9	06/12/2020	Company procedures
10	09/12/2020	Company procedures
11	17/12/2020	Company procedures

### 13 Major External Shareholders

As per Tadawul records, as on 31-12-2020, the major owners who own 5% and more of the capital are:

Shareholder	Percentage
HH Prince Khalid Bin Abdullah Bin Abdulrahman Al-Saud	7.47 %
HRH Prince Mohammad Bin Fahad Bin Abdulaziz Al-Saud	6.96%

### 14 Board members' and senior executives' Ownerships

#### 14.1 Ownership by Board of Directors members, wives, and minor children in the shares of Saudi Arabian Amiantit Company:

No	Member Name	Number of Shares of Board member at Year-Start	%	Number of Shares of Board Member at Year- End	% of Change	% at Year-End	Number of Shares of wife & Minor Children at Beginning of the year	%	Number of Shares of wife & Minor Children at End of the year	Change of Shares of Wife & Minor Children
1	HH Prince Ahmed bin Khalid bin Abdullah bin Abdulrahman Al-Saud	448,207	%1.3010	416,310	-%7.12	%1.3010	No	No	No	No
2	HRH Prince Abdulaziz Bin Mohammad bin Fahad bin Abdulaziz Al-Saud	39,515	%0.1147	22,939	%41.95 -	%0.0717	No	No	No	No
3	Dr. Khalil Abdulfattah Kurdi	1,003	%0.0029	931	-%7.18	%0.0029	No	No	No	No
4	Mr. Sulaiman Abdullah Al Amro	381	%0.0011	271	%28.87 -	%0.0008	No	No	No	No
5	Eng. Mohammad Abdulrahman Al-Luhaidan	29	%0.0001	16	%44.83 -	%0.0001	No	No	No	No

## 14.2 Ownership of Senior Executives of the Company and wives and minor children in the shares of Saudi Arabian Amiantit Company:

No	Executive Name	Number of Shares of Senior Executive at Year Beginning	%	Number of Shares of Senior Executive at Year End	Change %	No of Shares of Wife & Minor Children at Year Beginning	%	No of Shares of Wife & Minor Children at Year End	Change of Shares of Wife & Minor Children
1	Dr. Solaiman Abdulaziz Al Twaijri	298	%0.0009	275	-%7.72	No	No	No	No
2	Mr. Feras Ghassab AlHarbi	No	No	No	No	No	No	No	No
3	Mr. Waleed Mohammad Abu Kishk	No	No	No	No	No	No	No	No
4	Mr. Osama Jasim Al-Onaize	29	%0.0001	25	-%13.79	No	No	No	No
5	Eng. Mohammad Saleh Al-Shamrani	No	No	No	No	No	No	No	No
6	Mr. Ahmad Mohammad Quddam	No	No	No	No	No	No	No	No
7	*Mr. Houssam Nehad Ramadan	No	No	No	No	No	No	No	No

*The Company declares that there are no other interests in shares, subscription rights, debt instruments by any Board Members or Senior Executives and their wives and minor children in shares or debt instruments in the Company or any of its affiliated companies and any change in these rights during the year 2020 excluding what has been mentioned in item (29) of this report.*

*\*Resigned and the last working day was 30/09/2020.*

## 15 Borrowings

The Borrowings of the Company were as such as of December 31, 2019 and 2020:

### 15.1 Current Maturity of Long-Term Loans (SAR '000).

Borrower	Bank	Nature of lines	Repayment Date	Amount Due as of December 31, 2019	New Borrowings	Repayments	Reclassification to ST loan	CTA	Amount due as of December 31, 2020
Saudi Arabian Amiantit	Al-Inma Bank	Loan	2020	250,000	-	-	-	-	250,000
Saudi Arabian Amiantit	NCB	Loan	2020	55,973	-	(461)	(55,512)	-	-
Saudi Arabian Amiantit	Bank Al-Jazeera	Loan	2020	27,665	-	(27,665)	-	-	-
Amitech Astana	Mr. Abykayev	Partners Loan	-	9,467	-	-	-	56	9,523
	<b>Total</b>			<b>343,105</b>	<b>-</b>	<b>(28,126)</b>	<b>(55,512)</b>	<b>56</b>	<b>259,523</b>

## 15.2 Short Term Loans (SAR ‘000)

Borrower	Bank	Nature of lines	Amount Due as of December 31, 2019	New borrowings	Repayments	Reclassification to ST loan	CTA	Amount due as of December 31, 2020
Saudi Arabian Amiantit	National Commercial Bank	Short-term	23,406	35,000	(32,405)	55,512	-	81,512
Saudi Arabian Amiantit	Arab Banking Corporation	Short-term	16,090	-	(16,090)	-	-	-
Saudi Arabian Amiantit	Al-Bilad Bank	Short-term	271,460	132,999	(133,961)	-	-	270,498
Saudi Arabian Amiantit	Al-Inma Bank	Short-term	256,030	1,878	-	-	-	257,908
Saudi Arabian Amiantit	Al-Baraka Islamic Bank	Short-term	37,500	-	-	-	-	37,500
Amiantit Fiberglass Industries Ltd.	Gulf Investment Bank	Short-term	992	-	(992)	-	-	-
Amiantit Fiberglass Industries Ltd.	National Commercial Bank	Short-term	48,786	8,167	(7,922)	-	-	49,031
Amiantit Fiberglass Industries Ltd.	Samba Bank	Short-term	24,000	-	(24,000)	-	-	-
Saudi Arabian Ductile Iron Pipes	Gulf Investment Bank	Short-term	2,730	-	(2,730)	-	-	-
Saudi Arabian Ductile Iron Pipes	National Commercial	Short-term	162,761	-	(1)	-	-	162,760
Bondstrand Factory	National Commercial Bank	Short-term	19,401	-	-	-	-	19,401
Amitech Astana	SB Sberbank JSC	Short-term	-	4,292	-	-	-	4,292
PWT Germany	Ulke Enterprise & Sowatly Doganlar Economic Society	Short-term	-	305	-	-	-	305
	<b>Total</b>		<b>863,155</b>	<b>182,641</b>	<b>(218,101)</b>	<b>55,512</b>	<b>-</b>	<b>883,207</b>

Most of the short-term loans are used to finance receivables and stock of raw materials, since these receivables amount to SAR 0.7 Billion at the end of the year of 2020 (SAR 0.9 Billion in 2019) while the total inventory value reached SAR 0.3 Billion at the end of the year of 2020 compared with SAR 0.3 Billion in 2019.

## 15.3 Long-term Loans: Maturity Profile & Creditors of the Group (SAR ‘000)

Borrower	Bank	2021	2022	2023	2024	2025 onwards	Total
Saudi Arabian Amiantit	Al-Inma Bank	250,000	-	-	-	-	250,000
Amitech Astana	Minority Partners Loan	9,523	-	-	-	-	9,523
	<b>Total</b>	<b>259,523</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>259,523</b>

## 16 Hedging Instruments

As at December, 2020, the Group's interest swap contract with a local commercial bank in relation to loans with variable profit rates has been concluded either because we ended up the loans with the commercial banks or the banks did not fix the swap deal due to the loans of the Group getting rolled over every month. As at December 31, 2020, the nominal amount of interest rate swap contract was SR nil million (December 31, 2019: SR12.9 Million). The fair value of the interest rate swap contract has already as at December 31, 2020 to SR nil million (December 31, 2019: a decline of SR0.030 million).

## 17 Conversion or Subscription Rights

Save what has mentioned in paragraph 3.9 in this report, the Company did not issue conversion or subscription rights during 2020.

## 18 Redeemable Debts

The Company does not owe or possess redeemable debts during 2020.



## 19 Board of Directors Composition & Committees

### 19.1 The Board of Directors is Composed of (5) Members:

Name	Title	Status
HH Prince Ahmed bin Khalid bin Abdullah bin Abdurrahman Al-Saud	Chairman	Non-Executive
HRH Prince Abdulaziz Bin Mohammad bin Fahad bin Abdulaziz Al-Saud	Vice Chairman	Independent
Dr. Khalil Abdulfattah Kurdi	Member	Non-Executive
Mr. Sulaiman Abdullah Al Amro	Member	Non-Executive
Eng. Mohammad Abdurrahman Al-Luhaidan	Member	Independent

### 19.2 Board of Directors Meetings During 2020:

The five-member Board of Directors has convened four meetings during the year of 2020 as follows:

Table 5: Attendance Record of the meeting of the Board of Directors 2020

Board member name	First Meeting 23/02/2020	Second Meeting 04/06/2020	Third Meeting 11-06-2020	Fourth Meeting 28-12-2020	Total
HH Prince Ahmed bin Khalid bin Abdullah bin Abdurrahman Al-Saud	Attended	Attended	Attended	Attended	4
HRH Prince Abdulaziz Bin Mohammad bin Fahad bin Abdulaziz Al-Saud	Attended	Attended	Attended	Attended	4
Dr. Khalil Abdulfattah Kurdi	Attended	Attended	Attended	Attended	4
Mr. Sulaiman Abdullah Al Amro	Attended	Attended	Attended	Attended	4
Eng. Mohammad Abdurrahman Al-Luhaidan	Attended	Attended	Attended	Attended	4

The Board of Directors confirmed that the Company maintained proper accounting records and the internal control system was sound and is effectively executed. There are no remarks on the Company going concern position.

## 20 Board of Directors and Nomination and Compensation Committee

This Nomination and Compensation Committee covers salaries, wages, and annual bonus related to performance and incentive plans (schemes) or any other benefits in kind. The policies and mechanisms for determining the remuneration of the Board Members are the following:

### 20.1 Board of Directors fees

In accordance with the By-Laws of the company & governance policy, the board of directors' fees are according to the guidelines issued in these regards.

The Board of Directors report to the General Assembly shall include a complete statement of all remunerations given to the Board of Directors during the fiscal year detailing all awards, expense allowances and other benefits. The said report shall also contain the payments received by the board of directors in their capacities as employees, administrators or whatever they have received in consideration for any technical, management or consulting works. The report shall also include the number of the Board's sessions and the number of the meetings attended by each member as of the last meeting of the general assembly.

In 28 Dec 2020, the majority of board of directors has resolved to waive their fees for the years 2018 & 2019, except one member not approved to wait.

Members	Attending BOD Meetings Fees	Total Attending Committee Meetings Fees	Total
<b>First: Independent Members</b>			
1. HRH Prince Abdulaziz Bin Mohammad bin Fahad bin Abdulaziz Al-Saud	12,000	18,000	30,000
2. Eng. Mohammad Abdurrahman Al-Luhaidan	12,000	9,000	21,000
<b>Total</b>	<b>24,000</b>	<b>27,000</b>	<b>51,000</b>
<b>Second: Non- Executive Members</b>			
1. HH Prince Ahmed bin Khalid bin Abdullah bin Abdurrahman Al-Saud	12,000	9,000	21,000
2. Dr. Khalil Abdulfattah Kordi	12,000	18,000	30,000
3. Mr. Sulaiman Abdullah Al Amro	12,000	21,000	33,000
<b>Total</b>	<b>36,000</b>	<b>48,000</b>	<b>84,000</b>

## 20.2 Committee fees

The Committee fees and attendance fees are approved by the Board of Directors upon proposal of the Compensation Committee. The Committee fees amount to SAR 100,000 per year per member. Attendance fees amount to SAR 3,000 per attended meeting (3,000 USD if the meeting is held outside KSA/Bahrain). When applicable, travel expenses are refunded. Members sitting on several committees only receive fees for one committee. If several meetings are handled the same day, attendance fees are only paid once for the day.

Members	Fixed Fees (Except Attendance Fees) (SAR)	Attendance Fees (SAR)	Total (SAR)
<b>Executive Committee</b>			
1. HH Prince Ahmed bin Khalid bin Abdullah bin Abdurrahman Al-Saud	100,000	9,000	109,000
2. HRH Prince Abdulaziz Bin Mohammad bin Fahad bin Abdulaziz Al-Saud	100,000	9,000	109,000
3. Dr. Khalil Abdulfattah Kordi	100,000	9,000	109,000
4. Dr. Solaiman Abdulaziz Al Twaijri	100,000	9,000	109,000
<b>Total</b>	<b>400,000</b>	<b>36,000</b>	<b>436,000</b>
<b>Audit Committee</b>			
1. Dr. Khalil Abdulfattah Kordi	*-	9,000	9,000
2. Mr. Sulaiman Abdullah Al Amro	100,000	12,000	112,000
3. Dr. Sulaiman Abdullah Al Sakran	100,000	18,000	118,000
<b>Total</b>	<b>200,000</b>	<b>39,000</b>	<b>239,000</b>
<b>Nomination &amp; Compensation Committee</b>			
1. HRH Prince Abdulaziz Bin Mohammad bin Fahad bin Abdulaziz Al-Saud	*-	9,000	9,000
2. Mr. Sulaiman Abdullah Al Amro	*-	9,000	9,000
3. Eng. Mohammad Abdurrahman Al-Luhaidan	100,000	9,000	109,000
<b>Total</b>	<b>100,000</b>	<b>27,000</b>	<b>127,000</b>
<b>Sub Total</b>	<b>700,000</b>	<b>102,000</b>	<b>802,000</b>

Note: \*- According to the company's policy, the member receives a one-time fixed fee if he is a member of more than one committee, the member shall also be entitled to a one-time annual fee if more than one meeting is held on the same day and at the headquarters, in addition, the member will not be compensated for attending meetings if he is present by telephone.

**21 Based on the recommendations of the Nomination and compensation committee, the Board of Directors approved the Remuneration of the Senior Executives. Remuneration of Senior Executives for the year 2020, is as Follows:**

SAR	Fixed Compensation				Variable Compensation						End of Service (Indemnity)	Board Fees (If any)	Grand Total
	Wages	Allowances	In-kind Privileges	Total	Periodic Compensations	Profits	Short Term Incentives Plans	Long Term Incentives Plans	Value of Bonus Shares	Total			
<b>Total</b>	5,067,702	2,183,120	365,128	7,615,950	0	0	0	0	0	0	823,529	0	8,439,479

**22 Actions Taken by the Board to Brief its Members About the Shareholder Suggestions**

The company has adopted the following procedures to keep the board of directors informed about the observation of shareholders on the company's performance:

1. Present the shareholders' suggestions and comments (If any) to the board of directors in the nearest meeting or through communication means continuously.
2. The Company has investors' relations Dept. which received the comments and enquiries of shareholders and keep the board of directors informed by the latest updates.
3. The board of directors attended the meeting of general assembly whereby the shareholders presenting their proposals and opinions during the general assembly meetings and the boards replies them.

### 23 Directors Mandates of Members of the Board of Directors:

Member Name	Names of companies in which the board member is a member of its current board of directors or its directors	Inside/ Outside KSA	Legal Entity	Names of the companies in which the member of the board of directors is a member of its previous board of directors or its directors.	Inside/ Outside KSA	Legal Entity
H.H. Prince Ahmad Bin Khalid Bin Abdullah Bin AbdulRahman Al-Saud	Chairman, Saudi Arabian Cooperative Insurance Co. (SAICO)	Inside KSA	Listed	Chairman of Saudi Chemical Co. (until 31/12/2018)	Inside KSA	Listed
	American Express Saudi Arabia.	Inside KSA	Not Listed	-	-	-
	American Express Middle Est. Ltd.	Outside KSA	Limited liability	-	-	-
	Arab Business Enterprises Co. Ltd.	Inside KSA	Limited liability	-	-	-
H.R.H. Prince AbdulAziz Bin Mohammad Bin Fahad Bin Abdulaziz Al-Saud	-	-	-	-	-	-
Dr. Khalil Abdulfattah Kordi	Aoudah Capital Co.	Inside KSA	Not Listed	SAMBA Financial Group	Inside KSA	Listed
	Al Kawniyah Trading and Contracting Ltd.	Inside KSA	Limited liability	National Air Services Co. (NAS)	Inside KSA	Limited liability
	-	-	-	Integrated Telecom Company	Inside KSA	Limited liability
	-	-	-	Saudi Telecom Company (STC)	Inside KSA	Listed
Mr. Sulaiman Abdullah Al Amro	AlAmthal Finance & Rent Co.	Inside KSA	Closed Joint Stock	Nama Chemicals Company	Inside KSA	Listed
	FALCOM Holding Co.	Inside KSA	Holding Co.	Saudi Bahrain Bank	Inside KSA	Listed
	-	-	-	Saudi Hollandi Bank	Inside KSA	Listed
	-	-	-	Ground support services Co.	Inside KSA	Limited liability
	-	-	-	Al-Bilad Catalyst Company Limited	Inside KSA	Limited liability
Eng. Mohammad Al-Luhaidan	-	-	-	Emaar Al-Watan Real Estate Investments Company	Inside KSA	Not Listed

## 24 Transactions with Related Parties

### 24.1 Related Party Transactions

The table below shows the movement of cash advances and loans to affiliated companies.

Cash advances & Loans to Affiliated Companies (SR'000).

Borrower	Nature of Loan	Amount Due as of December 31, 2019	Additions /Reversal	Repayments /Impairments /Write-off	CTA	Amount due as of December 31, 2020
Amiantit Qatar	Know-how Fee & Dividends	1,804	4,121	(5,703)	-	222
Sarplast Qatar	Trade Receivable & LT Loan	914	-	(914)	-	-
APS & Amitech Romania	LT Loan	3,621	-	(3,490)	(131)	-
Subor & Subor Gap	Trade Receivable	257	-	(128)	-	129
Amiblu Germany	LT Loan & Other Receivable	40	167	-	(8)	199
East Gas	Dividends	-	1,300	(1,300)	-	-
Tawzea	Dividends	-	4,000	(4,000)	-	-
Amensouss	Dividends	-	2,244	(2,244)	-	-
Amitech Algeria	Other receivable	360	777	-	(37)	1,100
<b>TOTAL</b>		<b>6,994</b>	<b>12,609</b>	<b>(17,779)</b>	<b>(176)</b>	<b>1,650</b>

The issuer and the Group do not have any specific related party transaction to report which could cause a conflict of interest between the issuer or any of its subsidiaries and affiliates, on the one hand, and board members or members of the Management on the other hand.

### 25 Businesses or Contracts with Chief Executive Officer, Chief Finance Officer or Related Individuals:

The Board of Directors assures that there is no business or contracts between the Company or the Group and the CEO or CFO or any related party during 2020.

### 26 Waiver of Salary or Compensation by Directors or Senior Executives:

The Company declares that there were no waivers, arrangements, assignment or other modifications by any Board Member or Senior Executives of any salary or compensation rights or any profit rights in 2020.

### 27 Waiver by any Shareholder of Rights to Dividends:

No shareholders of the issuer have waived any right to dividend.

### 28 Amounts due by the Group to Zakat, Tax Authorities, & other Legal Fees

Table 6: Zakat & Tax Payment (SAR '000)

Particular	Amounts due as of December 31, 2020	Reason
Zakat	185,583	According to zakat & income law
Income Taxes due to Saudi Authorities	737	As per income tax on foreigners
Income Taxes due to Foreign Authorities	1,875	As per foreign income tax rules, on foreign consolidated subsidiaries
Zakat & Income Tax Payable	<b>188,195</b>	-
General Organization for Social Insurance Contribution	641	According to social insurance regulation
<b>Total</b>	<b>188,836</b>	

**Note: SAR 15.5 million is the estimated amount due and to be paid in 2021\*.**

\*under discussion with Zakat Authority

## 29 Employee Share-Option Funds

In an effort to motivate employees and enhance their loyalty to the Company, while letting them benefit from the Company performance, the Company requested from the Saudi Capital Market Authority to approve a share-plan attributing numbers of shares to the employees.

Pursuant to the Capital Market Authority, the Company purchased 2,515,691 shares at an acquisition cost of SAR 16.60 per share. The shares are managed by a fund. The purchased shares were registered in the name of the employees during 2011 and a first three-years program was started beginning 2012, according to which a total of 564,309 Shares were distributed to the employees and to the management over 2015.

During the year, the Company reviewed its Employees' Shares Option Program and reserved and the number of shares earmarked to be provided to the vested options of employees that represented the value of the remaining shares held by the trustee for future options to be offered to the employees of the Company. During the year, the Company recorded a net loss of SR 26.8 million upon remeasurement of the Employee Share Option Plan.

## 30 Declarations

### 30.1 Books of Accounts

The Directors declare that proper books of account have been maintained.

### 30.2 System of Internal Control

The Directors declare that the system of internal control is sound in design and has been effectively implemented.

### 30.3 Going-Concern

The Directors declare that there are no significant doubts concerning the company's ability to continue as a going concern.

## 31 Corporate Governance

During the year 2009, the General Assembly of the Company has approved the Governance Regulations of the Saudi Arabian Amiantit Company "Internal Governance Regulations". The Remuneration and Compensation committee has studied such policies and raised recommendation to Board of Directors to update it in order to reflect the latest developments and changes to adopt the new changes issued by CMA. The Board of Directors as well has approved such changes and decided to submit to the General Assembly for ratification, and on 28 April 2020, the general assembly has approved them.

Accordingly, the Company laid down the following rules and mechanism for establishing the main Committees of the Board of Directors and their duties as follows:

### 31.1 Committees

#### 31.1.1 Executive Committee

##### 31.1.1.1 Authorities:

- The Executive Committee shall exercise all authorities and play the role of the Board of Directors during the intervals between two Board of Directors meetings.
- The Committee shall discuss and adopt the decisions in relation to subjects requiring top urgent decisions on emergency matters.
- The responsibilities of the Committee include adopting the routine decisions relating to regular Company work.



**Regarding the Company strategy and targets, the Executive Committee shall do the following:**

- Check the strategic plans of the Company in cooperation with the Managing Director or the Chief Executive Officer.
- Confirm that the strategic plans are actually put to execution and actual work to achieve the Company's objectives
- Check the recommendations of the Managing Director and Chief Executive Officer regarding the allocation of the Company resources aimed at harmoniously balancing the strategic plans with the long terms' operational goals.
- Periodical check the strategic plans and the operational goals of the Company and its affiliates to ensure their concurrence with the goals and mission of the Company.

**Regarding the operational priorities of the Company, the Executive Committee shall check and prepare the required recommendations for the Board of Directors regarding the strategic plan and Company's operational priorities including the expansion in or retrenchment from into or new markets or new countries**

**Regarding the financial planning of the Company and profit distribution policy the Executive Committee shall:**

- Prepare and check the recommendations to the Board of Directors regarding the long term annual financial strategies and related performance indicators.
- Check the important financial matters of the Company and its affiliates such as the matters related to the capital, credit classification, cash flow, borrowings, investment deposits, in coordination with the Company management and the audit Committee.
- Check and prepare the recommendations to be submitted to the Board of Directors on distribution of profits policies and how to implement them.
- Periodical and regular verification of the actual capital expenditure and their pre-approved budgets.

**Regarding the productivity of the Company in the long term and the effectiveness of its operational process, the Committee shall check and prepare the required recommendation to the Board of Directors regarding the strategic decisions on the possibilities for the Company to improve the quality of its products and services.**

**31.1.1.2 Duties:**

- Requests the documents, reports, clarifications and other information from Company officials and executives.
- Invites the Company officials, executives and employees to attend its meetings for questioning them or hear to their clarifications.
- Takes help of outside experts and consultants.
- Presents any other services required by the Board of Directors within the jurisdiction of the Executive Committee.
- The Committee will annually check and evaluate its operating regulations to ensure smooth functioning in its work and completion of duties and raise any necessary revisions for the consideration of the Board of Directors.
- The Committee shall present a periodical report to the Board of Directors at least once every six months.
- In addition, the Executive Committee members shall do the following:
  - 1- Participate in the activities of the Committee and attend its meetings.
  - 2- Keep full awareness of all developments of the operating environment of the Company

- 3- Keep all information obtained by the members as a result of being Committee member as confidential.
- 4- Inform the Board of Directors of any conflict of interest that may arise as a result of any decision adopted by the Company.
- 5- Perform annual preparation, checking and evaluation of the Committee activities and their members including the checking of the Company's compliance to the above implementation Rules.

### 31.1.1.3 Committee Members & Meetings

Member Name	Three (3) Meetings			
	Membership	First Meeting 19/08/2020	Second Meeting 21/10/2020	Third Meeting 22/12/2020
HH Prince Ahmed bin Khalid bin Abdullah bin Abdulrahman Al-Saud	Chairman	Attended	Attended	Attended
HRH Prince Abdulaziz Bin Mohammad bin Fahad bin Abdulaziz Al-Saud	Member	Attended	Attended	Attended
Dr. Khalil Abdulfattah Kurdi	Member	Attended	Attended	Attended
Dr. Solaiman Abdulaziz Al Twajri	Member	Attended	Attended	Attended

**Term:** Three years starting 1<sup>st</sup> January 2018 ended 31<sup>st</sup> December 2020.  
The Secretary of the committee is Mr. Waleed Mohammad Abu Kishk.

### 31.1.2 Audit Committee:

#### 31.1.2.1 Duties & Responsibilities:

The Audit Committee shall be responsible for supervising the company's activities and verifying the effectiveness and adequacy of the internal control systems in the company as well and making an opinion and providing the necessary relevant recommendations. However, particularly the committee's responsibilities include the following:

#### 1) Financial Reporting:

- 1- The audit committee shall review the interim and annual financial statements before being submitted to the board of director and provide the board with its judgment on these statements to ensure their accuracy and integrity.
- 2- Provides the board, upon its request, the required technical opinion on the board of directors' reports and the financial statements, on whether, taken as a whole, fair, balanced and understandable and provides the information necessary for the shareholders & investors (stakeholders) to assess the company's performance, business model and strategy.
- 3- Looking into any significant or unusual transactions contained in the financial statements.
- 4- Looking significantly for any important issues raised by the financial manager of the company or his authorized representative, the commitment officer or the auditor of the company.
- 5- The committee shall check the accounting estimates on material issues in the financial reporting.
- 6- Studying the accounting policies adopted by the company and advise the board of directors thereon.

## 2) Internal Control System:

- 1- The audit committee should monitor the company operations.
- 2- The committee shall verify whether the internal audit function of the company is effective and adequate and preparing a written report containing the committee's recommendation and opinion on the adequacy of internal control system and the work performed by the committee within the scope of its mandate. The board of directors shall deposit a copy of this report in the company's head office at least ten (10) days before the general assembly meeting of the company to provide interesting shareholders copy of which during the general meeting.
- 3- Studying the policies and procedures draft regulations and to express its opinion thereon in the light of its oversight role before being approved by the Board of Directors
- 4- Reviewing policies and regulations of the board of directors and board committees and advising the board on the matters in connection with the regulatory aspects before being approved by the board.
- 5- Reviewing the executive regulations of the board on the internal audit system and its various components and advice the board of directors of any recommendations thereon.
- 6- Studying any matter referred to the committee by the board of directors for necessary advice and recommendation in light of its oversight role in the company.

## 3) Investee Company:

- 1- Ensuring the effectiveness of procedures for forming the performance of audit committees in subsidiaries in accordance with the company's agreements.
- 2- Ensuring the efficiency of the internal audit department in the investee companies by reviewing the annual evaluation of the quality of the internal audit of companies wholly owned or controlled by or as permitted by the partner agreements and to submit to the Board of Directors what it deems appropriate in this regard.
- 3- Ensuring that the nomination mechanism and the appointment of the external auditor of companies wholly owned or controlled by them or as permitted by the partners' agreements are referred to the Board of Directors as they see fit.
- 4- Obtaining the necessary and appropriate assurance from the audit committees of the subsidiaries regarding the effectiveness and integrity of the internal control system in accordance with the applicable regulations and partner agreements.
- 5- Approving the general framework and the audit protocol between the company's internal audit department, the audit committee and the internal audit department of the companies that are fully invested or controlled by parent company or as permitted by the partners' agreement.
- 6- Examining the proposed audit proposals of the internal audit department of the company to be applied to the subsidiaries and coordinating with the audit committees of the investee companies wholly owned or controlled by them or as permitted by the partners' agreements.

#### 4) Independent External Audit:

- 1- Recommending to the Board of Directors as to nomination or dismissal of the company auditors and suggesting their fees and evaluation of their performance after ensuring of their independence and reviewing the scope of their work and the terms of their contract.
- 2- Checking the independence, objectivity, fairness, and effectiveness of the company's accounts auditor, taking into account all relevant rules and standards.
- 3- Reviewing the plan of the company's auditor and its business and verifying that the auditor does not submit any technical or administrative work outside the scope of the audit function assigned to him and the committee shall, in such a case issues its recommendations and views thereon.
- 4- Answer to all inquiries submitted by the company's auditor.
- 5- Studying the auditor's report and its notes on the financial statements and following up what was taken on them.

#### 5) Ensuring Compliance:

- 1- Reviewing the results of the reports of the regulatory bodies and verify that the company has taken the necessary procedures thereon.
- 2- Checking the company's compliance with relevant regulations, regulations, policies and instructions.

#### 6) Powers of the Committee:

The Audit Committee, in order to discharge its functions and responsibilities, shall have the following powers:

- 1- The right to access any record in the company.
- 2- Request any clarification or statement from the members of the Board of Directors or the executive management of the company.
- 3- Requesting the board of directors to invite the general assembly to convene if the board obstructs its work or if the company is exposed to damage or serious financial losses.
- 4- Approves the guidelines of nomination of the company's accounts auditor.
- 5- Approves the internal auditing regulations.
- 6- Approves the annual auditing plan and budget of the internal audit department.
- 7- Approves the organization structure of the internal audit department in the company.
- 8- Recommends the board of directors to appoint the internal auditor of the company whether in case of resignation of internal auditor or, disability or dismissal and approves his monthly salary, allowances and other benefits.
- 9- Approves the annual evaluation of performance of the of internal auditing manager, remunerations and increments.
- 10- The Audit Committee shall have the right to seek, contract or direct awarding of consultants or consulting firms from inside or outside the company to carry out its duties assigned to the committee provided that the company shall undertake such studies or consultations and shall

include in its report the names of consultants / consulting firms and its relationship with the company or the executive management.

## 7) Obligations of Audit Committee Members:

- 1- Attending in the meetings of the committee regularly and actively participate in its work. In case of absence of any committee meeting, the committee member shall inform the chairman of the committee or the reasons of absence.
- 2- The committee chairman or his authorized representative of the members of the committee shall attend the general assembly meeting to answer the shareholders' questions.
- 3- The committee members shall maintain the secrets of the company, so he shall never disclose to the shareholders other than in the general assembly meeting, or any other third party any of the company's secrets which he became aware of as a result of performance of his work otherwise the he will be relieved as well as will be liable for any resulting consequences.
- 4- The committee member shall not practice any executive work for the company.
- 5- The committee member shall give due diligence to his work professionally and keep abreast of the recent developments related to the company's business.
- 6- The committee member shall be fair, equitable, honest, objective and impartial, and shall be free from personal interests so that the judgment shall not be under influence of any other person.
- 7- A member of the Committee shall not engage directly or indirectly in any activity that harms honor or honesty.
- 8- The member of the committee shall not accept anything of significant value from any employee, client or supplier or who has a business relationship with the company, which may lead to the weakening of his independence in form and object or affects or is supposed to affect the decisions reached.
- 9- The member of the committee shall disclose to the board of directors the operations carried out between him and the company and the nature of that relationship, as well as the relationship between him and the board of directors and executive management of the company, as required by the company's code of conduct.

### 31.1.2.2 Committee Members & Meetings:

Member Name	Five (6) Meetings						
	Membership	First Meeting 23/02/2020	Second Meeting 22/04/2020	Third Meeting 20/05/2020	Forth Meeting 19/08/2020	Fifth Meeting 04/11/2020	Fifth Meeting 28/12/2020
<b>Dr. Khalil Abdulfattah Kurdi</b>	Chairman	Attended	Attended	Attended	Attended	Attended	Attended
<b>Mr. Sulaiman Abdullah Al Amro</b>	Member	Attended	Attended	Attended	Attended	Attended	Attended
<b>Dr. Sulaiman Abdullah Al Sakran</b>	Member	Attended	Attended	Attended	Attended	Attended	Attended

**Term:** Three years starting 1<sup>st</sup> January 2018 ended 31<sup>st</sup> December 2020.

During 2020 the Audit Committee has studied the interim & annual financial statements and has raised them to the Board of Directors for ratification.

## The Audit Committee Report for the Year 2020

2020 Amiantit Annual Report of the Board of Directors

The committee has conducted five meeting during the year of 2020, and through its direct supervision on the internal audit committee procedures in the company, and auditing the governance policies, and risks, financial reports, and disclosures. The committee has handled the following.

- Review and submit the annual & quarterly financial reports of the company.
- Study the main risks which faced by the company and includes the financial, operational, and Legal risks, and review the applied policies by the management which related to the process of define and handle those risks.
- Review the annual plan for the internal audit committee and approve it.
- Review the activities, procedures, and reports of internal audit dept.
- Check all received quotations from the audit firms to choose of them to audit the Group's financial statements of 2020, which require reviewing from the committee on their professional quality and their appropriate independency, and the potential risks against that. In addition to the audit fees, and then represent it to the general assembly by their recommendation.

## Conclusion

According to what mentioned from the audit committee for all main sides of the internal controls policies through their direct supervision on the internal audit dept, continued meetings during 2020, in addition that the committee revised all related reports with the effectiveness of inspect the various operational activities and ensure the safety of operational & financial activities and their adequacy to the internal controls policy, and raise the reliability and the compliance to the related systems & rules.

According to the mentioned committee works, they reached to reasonable assurances that there're no main comments or qualifications in the internal controls and company's documents.

### 31.1.3 Nomination and Compensation Committee

#### 31.1.3.1 Authorities:

- 1- Regarding the nomination of Board of Directors members, executive managers, the Committee shall be responsible with the following:
  - Annual review of the competency requirements for Board of Directors membership and description of abilities and qualifications needed for the board membership including the time to be allocated by each member for the board work.
  - Check the composition of Board of Directors and submit the necessary recommendations on the required amendments.
  - Assess weaknesses and strengths of the Board of Directors and suggest solutions in the interest of the Company.
  - Define the necessary criteria determining the independence of the board members, confirm of independence of the board members on annual basis and lay down the necessary mechanism to inform the shareholders of any circumstance likely to impair the independency of any member, and ensure that no conflict of interest would arise if a member occupied a seat in any other Company.
  - Prepare the necessary directives and instruction programs for any new independent non-executive board members about the nature of work of the Company and provide a detailed description of their duties as board members.
  - Prepare recommendations to the Board of Directors on defining certain criteria to select the person who will assume the position of Managing Director, Chief Executive Officer or head a major department in the Company.
  - Prepare initial evaluation of persons nominated for Managing Director, Chief Executive Officer or heads of department and section in the Company.
  - Prepare a job description of positions, contractual terms for each of the Chief Executive Officer and the department managers in the Company.



- Lay down of suitable standards and procedures to evaluate the performance of the Chief Executive Officer and the department managers in the Company.
- Prepare regular evaluation of the performance of the Chief Executive Officer and department managers in the Company.
- Conduct training programs for the Executive Directors on governance of the Company, ethical behavior, and draft policies on continuous improvement of performance of the employees at the top management level.

2- Regarding the compensation of Board of Directors and Executive Directors, the Committee shall:

- Lay down the reward and bonuses policy for board members and executive directors in the Company aiming at increasing the Company value and optimize the personal efforts for each Board Member and Executive Director in executing the strategic goals of the Company. The Committee shall evaluate the personal performance against the goals set by the Board of Directors.
- Regarding the compensation of the Board's Members, the Committee shall draft the required criteria for compensation, and check them regularly, enabling the Company to achieve excellent performance without affecting the member's independence.
- Regarding the compensation of the Managing Director, Executive Directors or Department Managers in the Company, the Committee shall draft the required criteria for compensation to be checked regularly and applied on the annual fixed salaries, as increments, based on evaluation of the financial and non-financial performance, and draft special criteria for the long-term incentives and bonuses aimed at aligning the directors' and managers' interests with the interest of the shareholders.
- Continuously ensure the adequacy of the incentive criteria considering the performance of the Company, its financial position, and the main trends on the employment market.
- Follow up on the decisions adopted by the General Assembly of the Company on the compensation of the Board of Directors' members and the disclosure of these remunerations in the annual report.

#### 31.1.3.2 Duties:

- Request the documents, reports, clarifications and other information from Company officials and executives.
- Invite the Company officials, executives and employees to attend its meeting for questioning them or hear to their clarifications.
- Take help of outside experts and consultants.
- Perform the duties assigned to the Committee by the Board of Directors within the jurisdiction of the Committee.
- The Committee shall make an annual revision and evaluate its regulations to ensure smooth functioning of its work and adequacy of its duties and raise any necessary amendments to the Board of Directors for approval.

#### 31.1.3.3 Committee Members & Meetings:

Member Name	Four (4) meetings				
	Membership	First Meeting 23/02/2020	Second Meeting 28/05/2020	Third Meeting 15/09/2020	First Meeting 22/10/2020
HRH Prince Abdulaziz Bin Mohammad bin Fahad bin Abdulaziz Al-Saud	Chairman	Attended	Attended	Attended	Attended
Mr. Sulaiman Abdullah Al Amro	Member	Attended	Attended	Attended	Attended
Eng. Mohammad Abdulrahman Al-Luhaidan	Member	Attended	Attended	Attended	Attended

**Term of Committee:** Three Years starting January 1<sup>st</sup>, 2018 ended 31<sup>st</sup> December 2020.

**The secretary of the committee is Mr. Waleed Mohammad Abu Kishk.**



### 32 Compliance to Governance Regulations:

#### The Following rules of Governance Policy have been Implemented:

The following table shows the items which adopted the Governance Policy & the items which did not adopt the Governance Policy:

#	Item	Adopted	Not Adopted	Reason in Case of Non-adoption
1	General rights of shareholders	Yes		
2	Right of shareholders to inquire & obtain information not effecting company interests.	Yes		
3	Shareholders' pertaining to the General Assembly	Yes		
4	Voting Rights	Yes		
5	Shareholders' rights in dividends	Yes		
6	Policies & procedures related to disclosures	Yes		
7	Disclosures in the Board of Directors' Report	Yes		
8	The main roles of Board Members	Yes		
9	The responsibilities of the Board of Directors	Yes		
10	The composition of the Board of Directors	Yes		
11	The committees of the board and their independence	Yes		
12	The Audit Committee	Yes		
13	The Nominations & Remuneration Committee	Yes		
14	Board of Directors meetings and their agenda	Yes		
15	Board of Directors' fees & remuneration	Yes		
16	Conflict of interest for the Board of Directors	Yes		
17	Addition of an item to the agenda of the General Assembly meeting	Yes		
18	Cumulative Voting		No (Not Applicable)	During 2019 there was no election to the Board of Directors.

### 33 Dates of the General Assemblies of Shareholders held during the last financial year and the names of the members of the Board of Directors present in the meeting:

Member Name	First GA Meeting 28/04/2020	Second GA Meeting 17/11/2020	Third GA Meeting 2020/12/01
HH Prince Ahmed bin Khalid bin Abdullah bin Abdurrahman Al-Saud	Attend	Attend	Attend
HRH Prince Abdulaziz Bin Mohammad bin Fahad bin Abdulaziz Al-Saud	Absent	Absent	Absent
Dr. Khalil Abdulfattah Kurdi	Attended	Attended	Attended
Mr. Sulaiman Abdullah Al Amro	Attended	Attended	Attended
Eng. Mohammad Abdurrahman Al-Luhaidan	Attended	Attended	Attended

### 34 Policies Related to the Disclosure

The General assembly has adopted policies and procedures related to the disclosure which are still in practice.

### 35 Results of Annual Auditing for Effective Internal Control:

The Board of Directors has been assigned the responsibility to ensure that management maintains an effective system of internal controls, which provides reasonable assurance in all material respects of efficient and effective operation of controls.

### 36 Independence & Authority

The overall objective of the Internal Audit department is to provide at all levels of Management and the Board of Directors with an independent assessment of the quality of the Company's internal controls and administrative procedures and make recommendations for continuous improvement. The Internal Audit department is not subject to any influence from the executive management and has the required unrestricted access to all records (manual or electronic), Company assets and employees, required for performing its duties.

#### A. Internal Audit Responsibility

The responsibilities of the Internal Audit department encompass the following:

- 1- Preparing the annual risk-based audit plan
- 2- Executing the audit work according to the annual plan
- 3- Presenting its reports on the result of audit work performed
- 4- Assessing the financial and operational risks and coordinating with management to provide the necessary means at suitable cost to mitigate the identified risks.
- 5- Coordinating with different departments of the Company and external parties such as external auditors.
- 6- Developing the policies and procedures for executing the audit work in accordance with the best practices
- 7- Using the available resources according to the approved internal audit budget

#### B. Scope of Work

The Internal Audit department has adopted a well-organized approach to evaluate and recommend improvements for the efficiency of the internal controls in a manner that will enable the Company to achieve its objectives and protect its assets.

The scope of internal auditing covers examining the sufficiency and efficiency of internal control system in the Company and quality of management in order to verify whether the internal policies & procedures provide a reasonable confirmation to achieve the Company objectives.

#### C. Annual Results of Internal Audits

The Internal Audit Department completed audit engagements in accordance with its approved Audit Plan and provided management with value added recommendations to assist in initiating improvements to operations and to strengthen internal controls. Audit Engagements have been planned and performed to obtain sufficient information and explanation considered necessary to provide evidence to give reasonable assurance that the internal control system is operating effectively.

the internal instructions in the company due to the situation of the ban implemented by the Ministry of Health and because of the presence of the Corona virus and its consequences on the business sector, so the recommendations and observations were discussed with the concerned departments and agreed on an Action plan that worked to adopt the contents of these recommendations, taking into account the difficulty of face-to-face meetings, Where the use of smart applications and remote communication make them easier. After that, quarterly reports are submitted on the latest developments in the activities of the Internal Control Department and presented to the Audit Committee for regular review and discussion.

Recommendations	Result of the Recommendations
Petty cash claim verification process needs to be revised.	Operations in every company of all subsidiaries started to take lead in checking, verifying, analyzing, and authenticating the claims, approve them and take responsibility of the transactions occurred through the petty cash.
The necessity of traceability over cash holder's bank accounts.	New controls are under negotiation with related departments to come up with the best control over the cash holder's bank account.
The verification of posting dates in document information.	The Finance department in every company of all subsidiaries will apply the due care while creating the debit notes to avoid any confusion.
Signature of Site Manger are missing in some of the expense claims involved.	Finance will communicate with the operation side to ensure the availability of all signatures to ensure that expanses claimed are in their knowledge and they take the responsibility of them.
Observe accuracy in petty cash claims.	The Finance department in every company of all subsidiaries will apply the due care while preparing the payment process and transferring the money to the cash holder.
Controlling out of petty cash on Consumable and spare parts.	Finance will communicate with the operation side to ensure that most of purchases of consumables should be made through the central procurement.
Financial consumptions comparing to available resources.	Finance will communicate with the operation side to ensure proper usage of company's funds and to avoid false claims.
Payments are made before booking the expenses in the books	The management agreed to this and took immediate action to overcome this weakness.

Further,

1- The Internal Control Department has adopted all procedures necessary to ensure that management has adequately addressed the risks identified in the auditing report. Action plans relating to most of the audit findings have already been implemented.

2- The internal auditing work was directed towards the high-risk activities and positions and to increase the efficiency and profitability of the Company.

3- The Internal Audit Department has completely coordinated its work with the external auditor satisfactorily.

### 37 Emphasis of a Matter by the Auditors:

We draw attention to note 4.1.1 to the consolidated financial statements, which states that the accompanying consolidated financial statements have been prepared assuming that the group will continue as a going concern. The Group has incurred a net loss of SR 393.9 million for the year ended December 31, 2020 (2019: SR 344.8 million).

The Board of directors of the Group has resolved on 25 March 2021 corresponding to Sha'aban 11 1442H to continue the Group as going concern. Further, as at December 31, 2020, current liabilities of the Group exceeded the current assets by SR 582.5 million (2019: SR 467.9 million). Additionally, the Group is in breach of certain financial covenants related to bank facilities. These create material uncertainty related to the going concern. Our opinion is not modified in respect of these matters.

### 38 Changes in External Auditors:

The company did not change the external auditor during their term in which the company has appointed them.

### 39 Employees

#### 39.1.1 Management & Training:

- 1,501 Employees in 2020 compared with 1,639 employees in 2019 are distributed as follows:

Particulars	2020	2019	Increases/ (decrease)
Local sector	1,187	1,320	-133
International sector	314	319	-5
<b>Total employees</b>	<b>1,501</b>	<b>1,639</b>	<b>-138</b>
Saudi employees	319	374	-55
Saudization Rate	26.9%	28.3%	

- Over 2020 the following trainings were delivered:

Training	Participants
English Training Elementary Level	16
English Training Pre-Intermediate Level	3
English Training Intermediate Level	22
Microsoft Excel- Level 1	20
Microsoft Excel- Level 2	14
Online Training (MS-Teams)	69
Basics of Python Programming	1
Bioinformatics 1: Application of Data Science	1
Digital Transformation	1
Fundamentals of Cloud Computing	1
General provisions for companies in Jurisprudence and Saudi System	9

GOSI System and Regulations	3
IFSAH - Preparation Course	3
Introduction to Corporate Governance 101	12
KSA VAT Compliance Diploma	1
Quality Management Application Skills ISO 9001	1
The New Government Procurement & Competition System	4
Online Training (Doroob & Edraak)	256
<b>Total</b>	<b>437</b>

#### 40 Safety & Security:

The Company factories continued their high level of safety and security thanks to the regular training and qualification programs and training courses in all factories for all employees. The Company continued to approve new standards to maintain the safety and linked the incentive given to employees by achieving high safety level in their place of work. The safety efforts made by the Company have reflected in the drop of work incidents remarkably over the years. The company invests heavily to comply with local environmental standard & obtained the presidency of metrology and environment (PME) permits for all plants.

#### 41 Recommendation on Results of Year 2020:

The Board of Directors suggests allocation of results of 2020 as follows:

Particular	(SAR'000)
Balance accumulated losses, as at 1 January 2020 (restated)*	(18,294)
Loss for the Year	(389,350)
Capital Reduction**	144,517
Absorption part of losses through part of the statutory reserve***	57,296
Add (Deduct): Other comprehensive income & non-controlling interests	-
Actuarial gain (loss)	332
<b>Balance accumulated losses, as at 31 December 2020</b>	<b>(205,499)</b>

\*see note 3.8

\*\*see note 3.9

\*\*\*see note 3.10

*Best Regards,*  
*Board of Directors*