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#### Chairman of board of directors speech

### Dear shareholders Greetings,,,

I am personally and behalf of my colleagues in board of directors of Al Abdullatif Industrial Investment Co. glad to present to the respectful general assembly this annual report included the annual performance of the company activity and its final accounts for the fiscal year that ended on 31/12/2021.



To clearly explain, we briefly review the company performance during the last

twelve months, after COVID-19 the international economy has exposed extreme damages, the most important of them is decreasing of the aggregate demand which was appeared in many economic sides in our life, the Saudi economy is as other economies in the world, that means markets in Saudi Arabia exposed to a semi-decline in all its activities, which made the local economy is subject to many of downturn problems.

So, results of the company was in accordance and effected with this situation, that a severe decline incurred in sales due to reduced demand of products and high cost of sales, generally the total and net of work and operating activities results have influenced to COVID-19 and have negative effect on achievement of desired aims due to decreasing of used productive capacity and incurrence of fixed non-used operating costs.

Fortunately, in its strategy, the Saudi 2030 vision has previously approved the required plans to support private sector, and assign it to perform important roles in all field of sustained development, so the Saudi private sector became ready to do a positive role with the government bodies in revive demand in local market and putting it in its natural position before COVID-19.

In this matter, I would like to indicate that the Custodian of the two Holy Mosques King Salman Bin Abdulaziz has issued his decrees to support the Saudi private sector that all circumstances will be favorable to support 2030 vision towards economy restructuring.

Finally, I am pleased to thank members of board of directors for their wise directives and continuous support for the company administration and compliance to represent interests of the company shareholders. My thanks also to the company administration and employees for their sincerity and dedication to adopt the company's strategy for interest of both shareholders and customers.

We confirm full understanding of our great responsibility and we will be fully compliant to achieve the community ambitions.

Best regards,,,

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#### **Chairman of board of directors** The board of directors:

- 1) Sulaiman Omar Al Abdullatif Chairman of the board of directors.
- Abdullatif Omar Al Abdullatif the Managing director.
- Abdulaziz Abdullatif Al-Dilaijan Vice-Chairman of the board of directors
- Fahad Omar Al Abdullatif Member of the board of directors.
- Fozi Ayoub Sabri Member of the board of directors.
- 6) Hisham Abdulrahman Al-Askar Member of the board of directors.
- Majed Abdulrahman Al-Ossailan Member of the board of directors.

#### **General Overview:**

Al Abdullatif Industrial Investment Co. is a Saudi shareholding company listed at Saudi Stock Exchange, is professionally managed and specialized in manufacturing of carpet and mediated products such as strings (polyester strings, acrylic strings, polypropylene strings, nylon strings) and production of carpets' linings, production of colored stains, production of paper tubes, production and sales of blankets, the company has modern and integrated production lines with skillful and extensive experience employees in this field.

Al Abdullatif Industrial Investment Co. was a limited liability company in the name of Saudi Carpet Factory and in 2007 it was transformed into a listed shareholding company.



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#### Sulaiman Omar Al Abdullatif



Chairman of the board of directors

Fahd Omar Al-Abdul-Latif



**Member of the Board of Directors** 

Majid Abdul Rahman Al-Asailan



**Member of the Board of Directors** 

Abdul Aziz Abdul Latif Al Dulijan



**Deputy Chairman of the Board** 

Hisham Abdul Rahman Al-Askar



Member of the Board of Directors

**Abdullatif Omar Al Abdullatif** 



the Managing director

Fawzi Ayoub Sabry



Member of the Board of Directors

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# Chapter One Activity, Planning and Performance



#### Activities of the company and its subsidiaries

Main activities of the company are focused on field of carpet production, pieces of carpet, prayers carpet, production of stings related to manufacturing of carpet, import and operation of radiated devices regarding the company factories as per license issued by Research Institute of Atomic Energy and General Constructions for Housing Buildings, activities of subsidiaries are focused on production of circle spinning strings, production of polypropylene strings, basic and secondary carpet lining from polypropylene, manufacturing of blankets and acrylic strings, production of colored plastics and color-fastening colors, manufacturing of paper and crimpy cardboard (carton), manufacturing of paper cylinders in different sizes, manufacturing of carpet and wholesale and retail in carpet, training within Al Abdullatif Training Co.



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### 2020

The following below are the subsidiaries:

Company Name	Main Activity	Country	Original Country	Property%	Capital
National Spinning Co. Ltd.	Spinning and preparation of cotton, spinning and preparation of industrial strings such as nylon and Dillon	Saudi Arabia	Saudi Arabia	100%	30,000,000
Eastern Textile Co. Ltd.	spinning and preparation of industrial strings such as nylon and Dillon, spinning of textiles from industrial strings such as nylon.	Saudi Arabia	Saudi Arabia	100%	20,000,000
Western Textile Co. Ltd.	Manufacturing of industrial strings, included(nylon and polyester)	Saudi Arabia	Saudi Arabia	100%	16,500,000
ADFA Blankets Co.	Cutting and customizing of sheets, pillowslips, mattress, pillows, manufacturing of blankets and carpets.	Saudi Arabia	Saudi Arabia	100%	20,000,000
Nadeen Arabian Colors Co.	Manufacturing materials of stain, coloring, industrial and natural tanning	Saudi Arabia	Saudi Arabia	100%	4,000,000
Shahad Paper Manufacturing Tube	Manufacturing of paper and crimpy cardboard (carton), paper tube	Saudi Arabia	Saudi Arabia	100%	1,300,000
The First Company for Carpets	Manufacturing of carpets (for prayer) and moquette	Saudi Arabia	Saudi Arabia	100%	20,000,000
Al Abdullatif Training Co.	Training Centers	Saudi Arabia	Saudi Arabia	100%	100,000
Retaj Al Waseel Company for Maintenance, Services and subsistence	General Construction of Housing Buildings	Saudi Arabia	Saudi Arabia	100%	2,000,000

The company performs these activities throughout its factories and subsidiaries which are owned by the company with 100%, the company has no any commercial activity outside Kingdom of Saudi Arabia, these subsidiaries are limited liability ones and they have never issued any credit shares or instruments during the year.

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#### **General performance of the company:**

Measurement of the company general performance is linked with aims and strategic plan, responsibilities of executive administration, the board of directors and committees, also linked with results, achievements and data presented to all stakeholders, so if we are in process to measure the company performance, firstly we must acknowledge that the company has exposed to damage after COVID-19 due to decreasing of demand and also protective precautions which had been taken, such as lockdowns for certain period, because Kingdom of Saudi Arabia dealt properly with implications of COVID-19, this is evident in Royal decrees issued by the Custodian of the Two Holly Mosques regarding supporting the Saudi private sector which relatively decreases influence of COVID-19 on the company.

Anyhow, the financial standard is the remarkable indicator to assess companies' performance. In this regard it should be noted that Al Abdullatif Industrial Investment Co. suffers from extreme relapse in sales value, also drop in total profit and operational profit and increasing in the company net loss during this year comparing with the previous fiscal year.

This resulted in decrease in profits remained in the company, however during this year a set of indicators have appeared that can be positively described which was decrease in value of commercial disclosures due to increase of collection rates and increase of cash resulted from money flows, also decrease of stock due to following of stock decrease policies from final products and modification of retention period with raw materials before entering into production, additional to decrease of obligations values to the company, therefore value of Islamic loans has decreased very well, also obligations towards importers (credit disclosures) beside increasing of Zakat to face any possible obligations.

Starting from increasing of general awareness regarding non-financial standards in assessment of the companies' performance and improvement of its reputation and upgrading its role in enhancement and diversity of economic structure in Kingdom of Saudi Arabia which is totally associated with governance and following of transparency and development of human staff and adoption of social responsibility programs, so as other industrial companies, Al Abdullatif Industrial Investment Co. is compliant to apply the notable mechanisms of governance; such as transparency and disclosure of financial and non-financial information and to prepare data in accordance with relevant accounting standards and to enhance role of internal and

external auditing and emphasizing role of auditing committee taken from the board of directors in control and supervision.

The company seeks to open new markets for export in order to benefit from customs tariff on imports of raw materials exempted from customs fees.

Also, to benefit from great importance of Saudi Arabia government towards the industrial sector; such as transformational industries and others that grant added value to the Saudi origin product.



#### **Future Plans and Decisions:**

At the present time, the company has no intention of restructuring or stopping of operations, future plan of the company for the year 2020 includes achieving the following objectives:

- The company continues to provide high quality products that satisfy needs and expectations of customers and compatible with the company's values in dealing with customers.
- Continuance in extensive marketing activity to increase the company portion in local market.
- Continuous seeking to open new markets and attracting new customers all round the world in order to market the company's products.
- Continuous work and seeking to achieve reasonable profit within this current circumstances.
- To serve the national economy, by participation in providing new and advanced products.
- To achieve advanced position for the company by increasing its portion in the market.
- Training courses for the company's staff.
- To develop policies and organizational structures and financial and administrative systems as per international standards.
- Continuance in development and updating computer systems in accordance with requirements of the relevant authorities.
- Participation in activities of local community and providing required support in this field.





### Future Expectations:

A modern study informed that companies in Saudi Arabia generally have positive future expectations regarding their business comparing with remained international markets, the study revealed that more than half of companies in Saudi Arabia attempt to adapt with business changeable environment. According to this study, business companies expected time frame slightly faster for recovery comparing with the international level.

Anyhow, growth depends on increase of local and international demand, and on updating of products, entering into field of digital platforms and channels and using advanced technologies participate in expansion of business domain, and efforts have been made to decrease costs in order to face strong competition from competitive producers. So, we in Al Abdullatif Industrial Investment Co. see a light at one of the tunnel stages although great challenge of COVID-19 which negatively affected on the company's activities in fiscal year 2020, and in spite of important precautions taken by the company to decrease current and capital expenses and other procedures to reduce influence of COVID-19 benefiting from supporting government initials and great support given by government of His Custodian of the Two Holy Mosques to the companies.

Although our results during 2020 are still below our ambitions, but we are looking forward to improve positions and markets and to increase export opportunities in the fiscal year 2021 and the following years. Although we always confirm that future expectations regarding revenues of Al Abdullatif Industrial Investment Co. are difficult to accurately be predicted, because they are linked with changeable international economic data, which may reflect on financial results of the company, but we think that the company revenues face to a positive direction by the Grace of Allah, with efforts made by the company executive administration, board of directors and committees; the executive administration seeks to increase sales via export to achieve an added value if the international economy moderately recovers, this will have a great effect in the company results, also the motive policies of government of the Custodian of the Two Holy Mosques may occur a positive influence on the company results and other companies, whenever consumers sectors return back to its nature, this will have a positive effect on the company revenues.



#### **Potential Risks:**

Risks unit under the company performs activities related to determine risks which the company expose, to measure them, dealing with causes and resulted effects. The main purpose of the risks unit represents in enabling to effectively develop and to efficiently achieve its objectives.

Be note that the below risks don't include all those can be faced by the company, but it is possible to find additional risks may not be known by the company at the present time, or the company considers them as non-substantial ones:

- 1- Risks of COVID-19 spread all round the world will have extreme influence on deceleration of countries economies, travel and goods transport.
- 2- Economic risks, international economic position may have indirect effect on future company business, included changes in market performance, cash flows in market and finance costs, industrial recession, competition from abroad industries countries and companies, technological development, prices of the company inputs and final products, inflation, political and diplomatic events that may influence on the company's markets, fluctuation of exchange prices and alternatives of products which may have effect on the company activities and revenues.
- 3- Risks related to regulations and laws, because administration of the company activities is subject to different regulations and laws and any change or modification with other new restricted ones from any government body, supervision or judicial authorities or issuance of orders that lead to suspend the company's activities or stopping the company's products can influence on the company business and revenues.
- 4- Risks related to raw materials, in case of unavailability of primary materials or lack of import due to any economic reasons or government orders, or due to natural disasters or any force majeure, this will have an effect on the company business and revenues, such as boycott of some primary materials imported from Turkey during this period which leads to some disruption of the company production, now we are looking for alternatives from other sources for these materials.
- 5- Risks related to export market, because the company's revenues from export market is subject to availability of external markets that accept the company's products, any changes in political positions between countries or export boycott or fluctuation of exchange price may influence on the company business and revenues in this market, this is as situation of our companies which decided to stop export some of its products to Turkey, which resulted to find other markets to distribute goods within international economic crisis that redoubled due COVID-19, there were some proposed solutions by following new approach, such as using modern technology methods to avoid reduction and recession of sales, also advertisings and applications whether on the company's website or mobile's applications. Lack of using electronic equipments to create new opportunities for the company markets' portions will be insignificant or non-existent.



- 6- Risks related to focus on some customers, products of the company cover wide category of customers, the top of them are ten customers whose their accounts represent about 62% of the company's sales, if any of them incurs loss or reduction in their purchases from the company, this will inevitably influence on the company activities and revenues.
- 7- Quarterly assessment of risks and expansion in risks and entering into marketing and operational details.
- 8- Risks related to the geographical location of the company and natural disasters, all activities of the company concentrate on the second industrial city at Riyadh, therefore issuance of any directives regarding stopping of the company activities in this location or occurrence of natural disasters; such as floods or earthquakes will influence on the company activities and revenues.
- 9- Risks related to investment: that risks resulted from descending and ascending directions that occur to capital market due to many reasons that influence on expected cash flows and rate of required revenue from investment, taking into consideration that each investment opportunity has some risks, which are existed in varying degrees as per the investment type.
- 10- Risks related to market: the general condition of the market is not stable, whereas all works and orders have been done as daily basis and there is no guarantee to continue in obtaining further orders, because the market is influenced by the economic crisis and political disturbances, as happened currently in Europe which suffers from the same economic crisis and consequences of Brexit, also for unstable American market, region of Middle East and Gulf effected with political issues, and economic recession resulted by application of value added tax, also the Asian market that firstly based on on orders and lack of guarantees to continue in obtaining on further orders, also in Australian market which is considered better than the above mentioned.

#### 11- Financial Position of Customers:

- Many customers have a problem in availability of cash and they ask further credit facilities because many of them are correlated with insurance companies and banks which continuously reduce their credit limit.
- The company faces some difficulties in collection debts from some customers due to lack of cash, beside there are some customers ask to increase credit facilities within these current circumstances, it should be noted that within these current situations, the administration is forced to extremely decrease the profit margin.





#### **Human Resources and Training:**

Reinforcing to the company strategic trend aiming to saudisize human staff, the company prepares and qualifies staff within specialized programs to develop staff and planning their job tracks to ensure occupying job positions in the company with distinctive qualified employees, the company continues in program development (incentives and performance) to achieve many positive results, the company also presents training programs for Saudi youths in Al Abdullatif Training Co. located at the second industrial city for purpose of job replacement, by joining them to a training institutes outside the company in order to qualify and train them.

It should be noted that Al Abdullatif Industrial Investment Co. and its subsidiaries are consistent with (Nitaqat) system issued by Ministry of Human Resources.

#### **Social Responsibility:**

The company believes in importance of contribution, social development and participation in achievement in raising of Saudi Arabia and community members via useful projects and programs, and attraction of disabled persons in jobs that consistent with their abilities beside qualify and develop them, staffing number of school's students in annual summer training programs, the company also contributes in community service throughout interested in training and development of Saudi youths skills additional to training and employment of Saudi employees, beside compliance to standards of professional safety, the company also performs its essential role in supporting production base of national economy and adding a value into the national products and updating of production methods.

#### The Company Policy in Profits Distribution:

The annual net profits of the company are distributed after deduction of general expenses and other costs, as the following below:

- 1- To reserve (10%) of net profits as regulative reserve, the ordinary assembly general has the right to stop this reservation when this reserve reaches (30%) of the paid capital.
- 2- As per a proposal from the board of directors, the ordinary assembly general has the right to reserve a percentage not more than (20%) of net profits as agreeable reserve for certain purposes.
- 3- After that, the rest should be distributed to shareholders with a percentage not less than (1%) of the paid capital.
- 4- Taking into consideration article (76) of the companies regulations, after the above mentioned, a percentage not more than (5%) should be assigned as reward for members of board of directors with a maximum rate of one hundred thousand Saudi riyal for each member against his membership in the board of directors, due of reward should be consistent with number of meetings attended by the member.



- 5- The shareholder is worth his portion in profits in accordance to decision of the assembly general issued in this matter in which due date and date of distribution are explained, profits eligibility for share owners registered in the company's registers will be at the end of due date.
- 6- The company has the right to distribute interim profits to the shareholder on half yearly or quarterly basis, after authorization from the assembly general to the board of directors regarding distribution of interim profits as per a decision that should be annually renewed.
- 7- After that, the rest should be distributed to the shareholder as an additional portion in profits or to be transferred to account of remained profits.

#### **Distribution of Profits:**

The company didn't distribute profits to the shareholders in 2020, because it didn't achieve profits in that year as shown on financial statements of the company, the reason of that was COVID-19, the board of directors will submit this recommendation to the next assembly general for approval.

#### **Deadline of Profits Distribution:**

The board of directors should implement decision of the assembly general regarding distribution of profits for registered shareholders within (15) days from due date, or decision of board of directors related to distribution of interim profits.

#### **Non-Distribution of Profits:**

In case profits of any fiscal year were not distributed, therefore it is forbidden to distribute profits of the followed years, except after payment of the portion mentioned in this system for owners of excellent share, if the company failed to pay this portion for three consecutive years, the assembly general of shareholders held as per provision of article (86) of the companies' regulations has the right to decide whether to attend meetings of the company assembly general and participation in vote or to appoint their representatives in the board of directors as per their shares value in the capital, until the company enables to pay complete priority profits for shareholders in the next years.



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#### **Declarations of Board of Directors:**

Based on role of board of directors and its responsibility in protection the company's assets, and according to available information, report of accounts auditor, results of current market requirements and future indicators, the board of directors confirms the following below:

- 1- Accounts registers have been properly prepared.
- 2- System of internal control has been rightly prepared and effectively implemented.
- 3- No doubt in exporter ability on his activity continuance.

#### **Other Disclosures:**

- 1- There is no member in board of directors has any loan, and the company didn't present a guarantee to any member of board of directors against whatever loan or obligation during 2020.
- 2- There is no any investments or other reserves have been done in favor of the company's employees.
- 3- There is no a recommendation regarding replacement of the legal accountant before end of his specified appointment period.
- 4- During that year, the board of directors didn't sell or mortgage any of the company's real estates.
- 5- Disclosures of potential requirements on date of unified financial statements and amounts of revenues and expenses during the annual report are based on the best available information to the administration regarding current operations and events.
- 6- There no one of subsidiaries under Al Abdullatif Industrial Investment Co. have issued credit shares or instruments.
- 7- There is no transferrable credit instruments or contractual securities, or subscription right warrant or any similar rights issued or granted by the company during the fiscal year that ended on 31/12/2020.
- 8- The company has no reserved treasury shares.
- 9- There is no distributions that performed by the company in the fiscal year 2020.
- 10- There is no transferrable credit instruments or contractual securities, or subscription right warrant or any similar rights, also there is no transfer rights or subscription as per credits instruments that transferrable to shares, rights or subscription right warrant or any similar rights issued or granted by the company during the fiscal year 2020, there is no any refund, purchase or cancellation from the company's side or its subsidiaries to any refundable credit instruments in 2020.
- 11- The company didn't receive any notice or notification from persons have interest in eligible voting shares as per article (45) of registration rules certifying their ownership in the company shares.

- 12- Chairman of board of directors Mr. Sulaiman Omar Al Abdullatif, the managing director (Chief Executive Officer) Mr. Abdullatif Omar Al Abdullatif, vice-chief executive officer Mr. Fahad Omar Al Abdullatif, didn't receive any rewards or allowances of meeting attendance against their membership in board of directors during its current period, while four members of board of directors received their rewards of board of directors in fiscal year 2019 which is paid in fiscal year 2020, they also receive allowance of meetings attendance, the members are: Mr. Fozi Ayoub Sabri, Mr. Majed Abdulrahman Al-Ossailan, Mr. Abdulaziz Abdullatif Al-Dilaijan and Mr. Hisham Abdulrahman Al-Askar.
- 13- None of board of directors members or senior executives waived of his salary.

#### **Disclosure and Transparency:**

The company has disclosure policy approved by the board of directors, includes mechanisms of disclosure and transparency as per stipulated in companies regulations and laws of stock markets, such as Disclosure about substantial information:

- The company developed a set of procedures regarding disclosure about substantial information, which are:
- Draft of regulative advertisings should be prepared as per requirements of Capital Market Authority.
- Draft of advertisings and news is exposed to chief executive officer and other authorized senior executives
  and staff, the draft also can be generalized to members of board of directors to take their views, if the
  chief executive officer thinks so.
- These advertisings should be firstly published on website of Capital Market Authority (Tadawul) and electronic websites, then daily newspapers (as required) to ensure wide spreading.

#### **Disclosure of Financial Information:**

The board of directors approve primary and annual financial statements which should be signed by a member who is authorized by the board of directors, also signed by chief executive officer, manager of financial and accounting affairs and to be distributed to shareholders and other, primary and annual financial statements and report of board of directors should be submitted to the Capital Market Authority after approved by the board of directors, all compulsory advertisings should be done as per required instruction issued by Capital Market Authority before publication.



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#### **Disclosure in Report of Board of Directors:**

The company board of directors issues its annual report – within limit time as per regulations- and sending it to Capital Market Authority and to be announced to shareholders, it should be noted that report of board of directors includes extensive exposure of the company operations during last fiscal year, and all factors influenced on the company activities, it also contains requirements mentioned in regulations of companies' governance and relevant articles mentioned in rules of registration and insertion issued by Capital Market Authority and other laws.

#### **Disclosure for Control Authorities:**

The company should notify the Capital Market Authority and to immediately announce on (Tadawul) website (as needed) about all regulatory requirements stipulated in regulations and laws:

- Any change in structure of board of directors (resignation, appointment or classification).
- Any change in structure of the company's committees.
- Any change in the executive administration, included the chief executive officer and the financial manager.

#### **Results of Annual Auditing for Effectiveness of Internal Control Procedures:**

It should be noted in this matter that during fiscal year 2020 the company has contracted with a consultancy office in order to develop internal auditing, business charter of internal auditing has been prepared, which included the following:

- Vision and function of internal auditing.
- Functions and scope of work.
- Responsibilities of internal auditing department.
- To ensure of objectiveness and independency.

Plan of internal auditing has been prepared according to analysis and documentation of risks register by transforming the risks into plan, duration to perform internal auditing process was determined and determination the required competencies for performing those tasks and determination of main performance standards for process of internal auditing.

So, sides of defect were determined and gaps were discussed by obtaining data and discuss them with the concerned department.

Team of internal auditing has done its duties in the following departments:

- Financial affairs department.
- Human resources department.
- Purchases department
- Administrative affairs department.
- Sales department.
- Information technology department.
- Governance.
- Support services department.

Directory of policies, procedures, authorities matrix and organizational structures for different sectors have been updated, from other hand, these reports have submitted to the auditing committee which its tasks are to supervise on internal auditing department and follow-up of internal auditing team and study system of internal control, also plan of auditing.

### Confirmation and Annual Declarations for Supreme Administration about Internal Control for the Fiscal Year ended on 31/12/2020:

- Integrity and effectiveness of internal control applied within control system.
- Treatment of insufficiency sides and internal and external weaknesses to keep the company interest.

Al Abdullatif Industrial Investment Co. seeks to raise competency of internal control systems and procedures, and auditing committee is a selected one from the assembly general to ensure its independency and integrity of its reports.

The internal auditing in the company is followed to the auditing committee, that periodical reports about internal control should be submitted in which international standards of professional practices related internal auditing issued by Institute of Internal Auditors are used upon preparation of these reports, based on periodical reports that presented to the committee during the fiscal year 2020 by internal auditing department and external auditor of the company and reports of the executive administration, but the committee didn't notice any remarkable substantial weakness in effectiveness of internal control procedures.

In spite of required reasonable professional care, but it can't be absolutely confirmed that processes of check-up for all the company business and activities are comprehensive, because auditing process has been done on estimated sample.







#### **Governance:**

Regulations provisions of the companies governance that have been applied and those haven not been applied and reason of that. The company has previously prepared its own governance regulations and approved by the board of directors in its meeting held on 18/09/1434H corresponding 27/07/2013 and the company applies all provisions mentioned in governance regulations issued by Capital Market Authority, except the following below provisions:

Article No.	Articles/Paragraph	Reasons of Non-Application						
THE CHICAGO	Atucics/1 atagraph	Reasons of Non-Application						
	Non-Applied Indicati	ve Articles						
Articles (39	9), (41), (85), (87), (88), clause (3) of article (89)	Indicative articles which will be applied, when they become compulsory						
	Compulsory articles that wer	re recently applied						
Article (22)	Paragraph (H) Periodical review and approval of all the company organizational and professional structures.	The company has organizational and professional structures and currently are updated in collaboration with a foreign consultant.						
Article (25)	Paragraph (6): to develop performance standards for the executive administration that consistent with the company objectives and strategies.	There is a policy of performance standards for the executive administration that consistent with the company objectives and strategies.						
Article (25)	Paragraph (7): review and assessment of executive administration performance.	There is a policy for review and assessment of executive administration performance.						
Article (25)	Paragraph (8): to develop alternation plans to the company administration	There are alternation plans to the company administration.						
Article (37)	Paragraph (9): to organize disclosures register for members of board of directors and the executive administration.	There is disclosures register for members of board of directors and the executive administration.						
Article (73)	There is internal control system approved by directors council, there are also policies and procedures of risks management approved by the board	There is internal control system approved by directors council, there are also policies and procedures of risks management approved by the board, currently it is updated in collaboration with a foreign consultant.						
Article (95)	To constitute a governance committee specialized in companies' governance.	Governance committee was constituted and its tasks were assigned to the risks committee to become under the following name (committee of risks management and governance and compliance)						









### BOAVRID OF DURIECTORS RIEPORT 2020

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#### **Fiscal Results:**

- The net profit for 12 months was (-24.83) million Saudi Riyal, versus (-11.67) million Saudi Riyal during the similar period of last year.
- Share profit for 12 months was (-0.31) Saudi Riyal, versus (-0.14) Saudi Riyal during the similar period of
- Total profit for 12 months was 30.30 million Saudi Riyal, versus 41.04 million Saudi Riyal during the similar period of last year with decrease of 26.17%.
- Operational profit for 12 months was 0.50 million Saudi Riyal, versus 10.66 million Saudi Riyal the similar period of last year with decrease of 95.28%.
- Comprehensive income of the current period is (-17.12) million Saudi Riyal, versus (-14.76) million Saudi Riyal during the similar period in 2019.
- Net sales was 466.09 million Saudi Riyal during the current period, versus 600.51 million Saudi Riyal during the similar period in 2019 with decrease of 22.38%.
- Total rights of shareholder was 1131.71 million Saudi Riyal during the current period, versus 1148.83 million Saudi Riyal during the similar period in 2019 with decrease of 1.49%.
- Some comparison numbers were reclassified in order to be consistent with numbers classification of the current year.

The reasons for the decrease in gross profit and operating profit and the increase in net loss and the loss in comprehensive income for the fiscal year 2020 compared to the last year are due to:

- 1- The sharp decrease in sales due to the decline in demand.
- 2- Increasing general and administrative expenses.
- 3- Decrease in the profits of evaluating investments at fair value through profit and loss.
- 4- The increase in zakat provision.
- 5- The increase in actuarial losses from re-measuring employees benefits.
- 6- The increase in the cost of the produced quantities due to the company bearing operating expenses for not fully utilizing the available production capacity.

Finally, we can say that the company has been affected by the repercussions of the Corona virus (Covid-19), which negatively affected the company's activities, as stopped at times or diminished at other times during the closing periods, and the company taking a number of necessary measures to reduce current and capital expenditures and manage debtors in a consistent manner. With the requirements of the period, inventory planning, updating procurement plans and coordinating the relationship with suppliers, the company has also benefited from government initiatives and the great support provided by the government of the Custodian of the Two Holy Mosques to the companies.

#### Additional Notes:

(A) There is no minority rights in the financial statements.





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### 2020

#### **Results of the Companies' Sales and Profits:**

#### (In thousands Saudi Riyals)

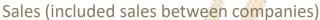
	Sales (included sales between companies)		Net profits (after Zakat payment)		Participation percentage of	Comprehensive profit	Participation percentage of the
Company's Name	2019	2020	2019	2020	the subsidiary in net profit	2020	subsidiary in comprehensive profit
Al Abdullatif Industrial Investment Co.	169,997	146,882	-19,796	-22,593	91%	-14,629	85%
Eastern Textile Co. Ltd.	166,036	133,547	5,738	1,959	-8%	2,188	-13%
National Spinning Co. Ltd.	20,359	16,616	-5,427	-6,367	26%	-6,687	39%
Western Textile Co. Ltd.	146,059	119,484	3,699	2,189	-9%	2,312	-14%
Shahad Paper Manufacturing Tube	12,539	9,051	2,625	728	-3%	729	-4%
Nadeen Arabian Colors Co.	17,357	19,145	476	509	-2%	496	-3%
ADFA Blankets Co.	70,524	62,669	-748	-1,761	7%	-1,937	11%
The First Company for Carpets	142,237	97,500	959	188	-1%	90	-1%
Al Abdullatif training Co.	260	300	-39	4	0%	4	0%
Retaj Al Waseel Company for Maintenance, Services and subsistence	9,956	9,944	840	313	-1%	313	-2%
Total	755,324	615,138	-11,673	-24,831	100%	-17,121	100%
Deduction of interstate sales between companies	-154,818	-149,044					
Net sales of customers	600,506	466,094					

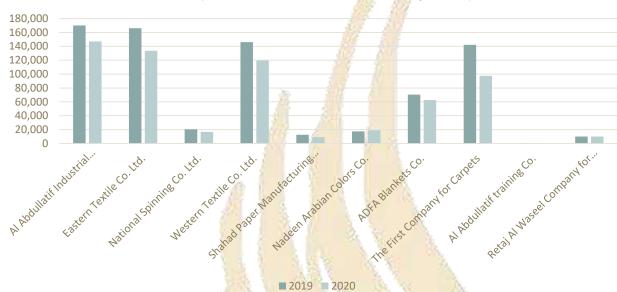


### BOAVED OF DEBECTORS BEPORT

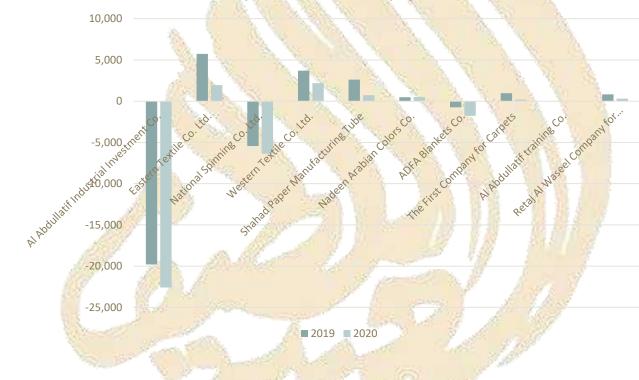
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2020





#### Net profits (after Zakat payment)



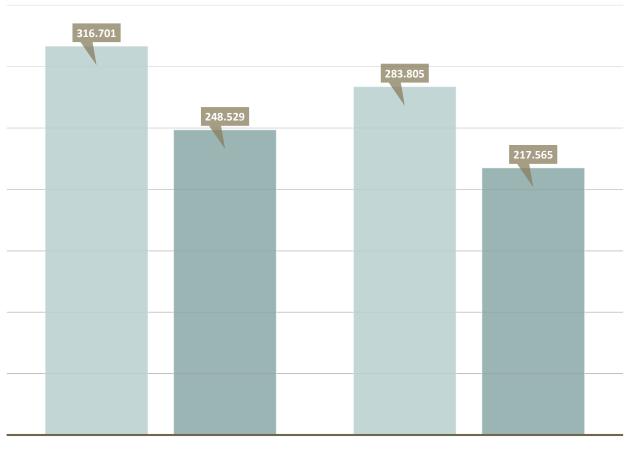
# BOAVRID OF DEFECTIORS REPORT www.carpets.com 2020

**Geographical Distribution of the Company's Revenue (internal and external):** 

(In thousands Saudi Riyals)

Description	2019	2020	High/Low Percentage
Local Sales	316.701	248.529	-22%
International Sales	283.805	217.565	-23%
Total	600.506	466.094	-22%

### domestic and export sales



LOCAL SALES

**INTERNATIONAL SALES** 



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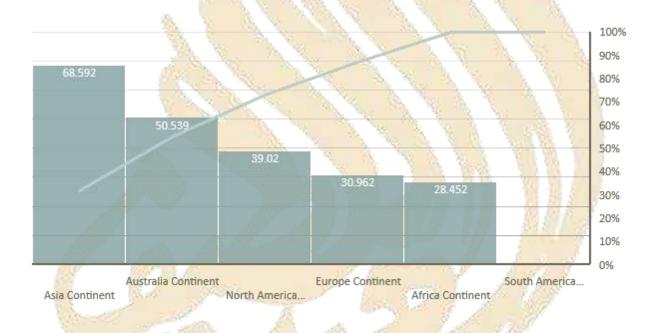
2020

**Geographical Distribution of the Company External Revenue:** 

(In thousands Saudi Riyals)

No.	Name of Region	Net	Sales
110.	Name of Region	2019	2020
1	Asia Continent	104.602	68.592
2	South America Continent	-	-
3	Africa Continent	26.018	28.452
4	North America Continent	72.173	39.020
5	Europe Continent	26.633	30.962
6	Australia Continent	54.379	50.539
	Total	283.805	217.565

# Geographical Distribution of the Company External Revenue



# BOAVRID OF DHRECTORS REPORT www.carpets.com 2020

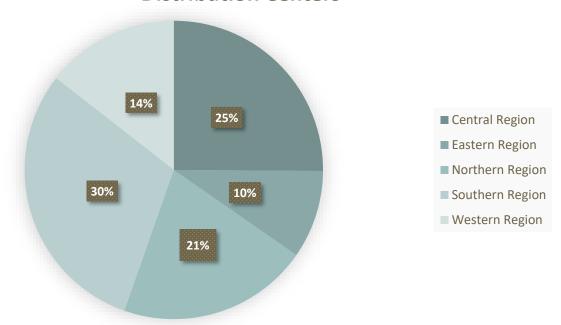
#### **Geographical Distribution for Revenue of Local Distribution Centers**

All activities of the company focus in Riyadh – Saudi Arabia, but the company has some showrooms and warehouses of ADFA Blankets Co. (one of its subsidiaries), revenues of those showrooms and warehouse are the following below:

(In thousands Saudi Riyals)

No.	Name of Region	Net Sales		
110.	rume of region	2019	2020	
1	Central Region	6.862	4.203	
2	Eastern Region	1.902	1.598	
3	Northern Region	4.364	3.466	
4	Southern Region	5.036	5.048	
5	Western Region	3.170	2.419	
Total		21.334	16.734	

### **Geographical Distribution for Revenue of Local Distribution Centers**



### BOAVED OF DEFRECTIORS REPORT

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#### **Summary of the Fiscal Results**

#### (A) List of Financial Position:

(In millions Saudi Riyals)

Description	2016	2017	2018	2019	2020
Current assets	931,95	892.42	894.79	901.04	833.57
Investments	153,54	122.61	125.24	141.77	150.57
Fixed assets	475,91	428.75	382.36	341.30	298.65
Total of assets	1,561.40	1,443.78	1,402.39	1,384.11	1,282.79
Current liabilities	330,35	218.18	206.96	205.43	120.52
Long-term loans	8 // 1	1 - 7	-	-	-
Non-current liabilities	9.07	11.99	10.60	29.85	30.56
Total of shareholders' rights	1,221.98	1,213.61	1,184.83	1,148.83	1,131.71
Total of liabilities and shareholders' rights	1,561.40	1,443.78	1,402.39	1,384.11	1,282.79

In 2008 the company s' capital was increased from 650000000 riyals to 812500000 riyals by granting a share of 25% of the capital

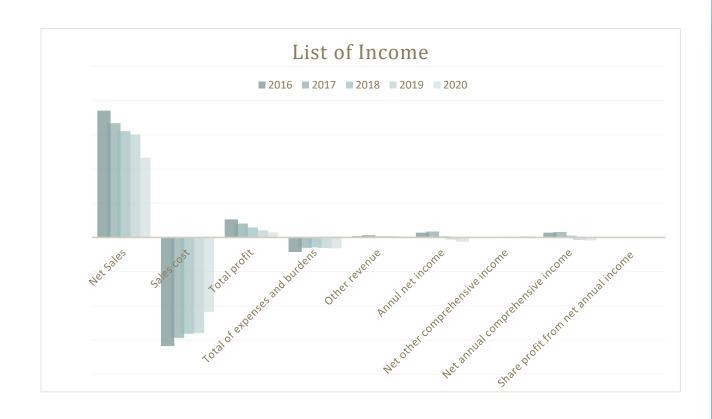


# BOAVRID OF DURINCTIONS IRLEPORTI

#### (B) List of Income

(In millions Saudi Riyals)

Description	2016	2017	2018	2019	2020
Net Sales	740.81	668.41	621.19	600.51	466.09
Sales cost	-634.78	-586.57	-563.22	-559.47	-435.79
Total profit	106.03	81.84	57.97	41.04	30.30
Total of expenses and burdens	-85.13	-60.78	-57.62	-61.21	-63.00
Other revenue	7.75	14.15	7.68	8.55	7.87
Annul net income	28.65	35.21	8.03	-11.67	-24.83
Net other comprehensive income	-	-2.96	3.82	-3.08	7.71
Net annual comprehensive income	28.65	32.25	11.85	-14.75	-17.12
Share profit from net annual income	0.35	0.43	0.10	-0.14	-0.31



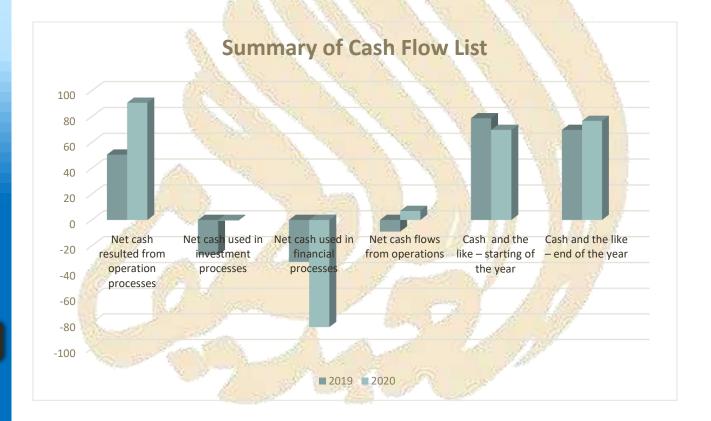
BOAVED OF DURECTORS REPORT

#### (C) Summary of Cash Flow List

(In millions Saudi Riyals)

Description	2019	2020	
Net cash resulted from operation processes	N N	50.54	90.70
Net cash used in investment processes	. / /	-27.11	-0.52
Net cash used in financial processes		-32.44	-83.21
Net cash flows from operations		-9.01	6.97
Cash and the like – starting of the year		78.69	69.68
Cash and the like – end of the year		69.68	76.65

- Some of comparative numbers in 2019 have been classified in order to be consistent with classification of the current year.
- Some of comparative numbers have been amended in order to be in accordance with transformation requirements of international standards.



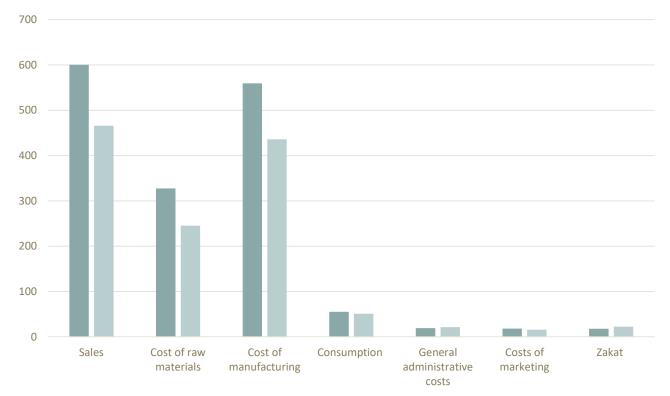
#### **Elements of Costs in Relation to the Sales**

The following table shows analysis regarding cost elements in relation to sales:

Description	Value in millions Saudi Riyal					
	2019	Sales in %	2020	Sales in %		
Sales	600.51		466.09			
Cost of raw materials	327.43	54.5%	245.28	52.6%		
Cost of manufacturing	559.47	93.2%	435.79	93.5%		
Consumption	55.10	9.2%	51.16	11.0%		
General administrative costs	19.13	3.2%	21.30	4.6%		
Costs of marketing	18.31	3.0%	15.61	3.3%		
Zakat	17.93	3.0%	22.46	4.8%		

- Financial statements of the company in 2020 constitute an integral part of this report.
- Some of comparative numbers have been amended in order to be in accordance with transformation requirements of international standards.

#### **Elements of Costs in Relation to the Sales**







#### **Transactions with Relevant Parties**

During the year that ended on 31/12/2020, the company has conducted transaction with relevant parties, as the following below:

Name of Relevant Party	First debit balance 1/1/2020	Sales to a relevant party	Services and benefits to a relevant party	Services and benefits from a relevant party	Purchase s from a relevant party	Received payments from a relevant party	Paid paymen ts to a relevant party	Final balance 31/12/2020
Al Abdullatif Furniture Co.	38,452	29,945	3,968	339	26	33,541	339	38,798
Natural Gas Distribution Co.	-	-	- 1	\$ -U	1,740	-	1,555	(185)
Total	38,452	29,945	3,968	339	1,766	33,541	1,894	38,613

In 2020, the company has conducted some transactions with relevant parties, as shown in the above mentioned table, details and justifications of relation as the following below:

Name	Relation
Al Abdullatif Furniture Co.	An establishment managed by Sulaiman Omar Al Abdullatif (General Director of Al Abdullatif Furniture Co.) and currently, he is a member of board of directors and a member of board of directors in Al Abdullatif Furniture Co. (closed joint stock), Mr. Abdullatif Omar Al Abdullatif is also a member in board of directors – Furniture Co., Mr. Fahad Omar Al Abdullatif is also a member in board of directors (closed joint stock) (indirect relation).
Natural Gas Distribution Co.	Mr. Abdullatif Omar Al Abdullatif and Mr. Majed Abdulrahman Al-Ossailan (member of board of directors in Gas Distribution Co.), both of them are members in board of the directors in its current period (indirect relation)

Nature of transactions that conducted with the relevant party in fiscal year 2020, as the following:

1- Sales to a relevant party ( Al Abdullatif Furniture Co.).

Sales general consist of wholesales in carpet and moquette, it should be noted that all transactions with the relevant party don't differ from those with normal creditor debtor merchants, and have no special characteristics, duration of these activities is one year and can be annually renewed by the assembly general, sales in fiscal year 2020 was (29.945) thousand Saudi Riyals.

- 2- Services and benefits presented to the relevant party (Al Abdullatif Furniture Co.), these services and benefits represent the following:
- (A) Rent contract of warehouses, its first party is Al Abdullatif Industrial Investment Co. (lessor), its second party Al Abdullatif Furniture Co. (tenant), duration of contract is one year can be annually renewed by the assembly general, its value till 31/12/2020 was (2.948) thousand Saudi Riyal.

- (B) Upon providing service of ration and housing, its first party is Retaj Al Waseel Company for Maintenance, Services and Subsistent which is subsidiary of Al Abdullatif Industrial Investment Co., its second party is Al Abdullatif Furniture Co., duration of contract is one year can be annually renewed by the assembly general, its value till 31/12/2020 was (920) thousand Saudi Riyal.
- (C) Logistic services environmental services and payment represent in presented by Al Abdullatif Furniture Co., the contract value till 31/12/2020 was (100) thousand Saudi Riyal. So, the total value of services and benefits presented to the relevant party till 31/12/2020 was (3968) thousand Saudi Riyal.
  - 3- Services and benefits presented by the relevant party to the company represent the following:
- (A) Rent contract of housings and others, its first party is Al Abdullatif Furniture Co. lessor), its second party Al Abdullatif Industrial Investment Co.(tenant) for housing of some employees of Al Abdullatif Industrial Investment Co., duration of contract is one year can be annually renewed by the assembly general, its value till 31/12/2020 was (150) thousand Saudi Riyal.
- (B) Rent contract of warehouses and selling center outside Riyadh city, its first party is Al Abdullatif Furniture Co. lessor), its second party Al Abdullatif Industrial Investment Co.(tenant)., duration of contract is one year can be annually renewed by the assembly general, its value till 31/12/2020 was (189) thousand Saudi Riyal. So, the total value of services and benefits presented to the relevant party till 31/12/2020 was (339) thousand Saudi Riyal.

#### 4- Purchase from the relevant party:

Purchases generally consist of a relevant party (Natural Gas Distribution Co.), purchase value on 31/12/2020 was (1.740) thousand Saudi Riyal. Purchases from relevant party (Al Abdullatif Furniture Co.) which are carpets requirements with a value of (26) thousand Saudi Riyal. So, the total value of purchases from relevant party till 31/12/2020 was (1766) thousand Saudi Riyal.

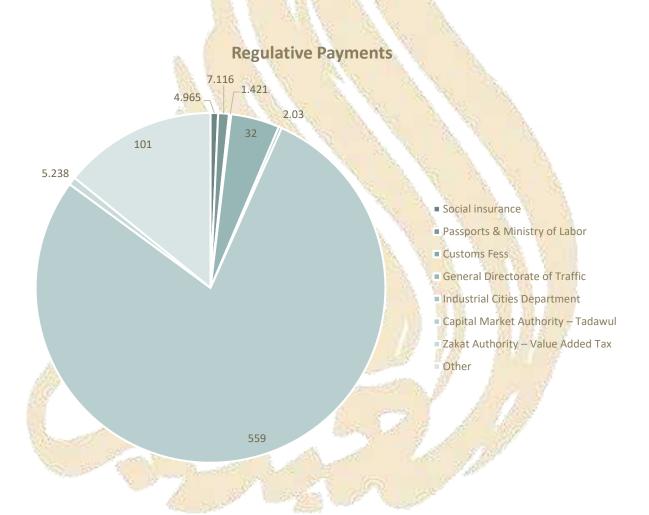


#### **Regulative Payments**

(in thousands Saudi Riyals)

Description	2019	2020	Description
Legal Zakat	17.719	18,826	Paid Legal Zakat
Social insurance	5.478	4,965	Payment of employees subscriptions, included retirements, job risks, insurance of work disability.
Passports & Ministry of Labor	16.925	7,116	Renewal of resident identities, labor licenses for the company employees
Customs Fess	3.589	1,421	Paid fees for Customs Authority
General Directorate of Traffic	28	32	Renewal of registrations for the company cars and trucks
Industrial Cities Department	2.081	2,030	Payment of the company's locations renting
Capital Market Authority – Tadawul	565	559	Fees of services providing (Tadawul)
Zakat Authority – Value Added Tax	179	5,238	Value added tax
Other	178	101	Authentication from Chamber of Commerce and Ministry of Foreign Affairs

- The estimated Zakat of the company in 2020 was (19.581) thousand Saudi Riyal and will be paid in 2021.
- Refunded value added tax was (1.348) thousand Saudi Riyal.





#### **Waivers of Salaries, Compensation and Profits**

There is no any arrangements or agreement in which board of executive directors waive of any salary, except their waive of allowances regarding meeting attendance and reward annual council membership, also there is no any arrangements or agreement in which one of senior executives waive of any salary or compensation, while the chairman of board of directors and other (2) executive members have waived of their allowances of membership, meeting attendance and committee during this year, it should be noted that both executive members have received their salaries and advantages accepted by the company, four independent members have received (400.000) Saudi Riyal as reward of council membership during 2019, which has been paid in fiscal year 2020 after approval of the assembly general.

#### **Clarification of Difference from Accounting Standards**

As per report of independent accounts auditor about unified financial statements, so the unified financial statements for Al Abdullatif Industrial Investment Co. (Saudi Joint Stock Company) and its subsidiaries which includes unified statement of financial center as on 31/12/2020, unified statement of profit, loss and other comprehensive income and unified statement of amendments in shareholders' right, unified statement of cash flows for the year ended on that date, clarifications attached with unified financial statements, included summary of important accounting policies and other interpreting clarifications that fairly be exposed from all substantial sides, unified financial center of the group as on 31/12/2020 and unified financial performance of the company and its unified cash flows and unified changes in shareholders' rights for the year ended on that date in accordance with international standards for financial statement approved and applied in Kingdom of Saudi Arabia and other standards and versions approved by Saudi Legal Accountants Authority. Approved international standards are those mentioned in accreditation document of international standards for financial reports. Other standards and versions mean what will be approved Saudi Legal Accountant Authority, as such standards and technical views for subjects that aren't covered by international standards such Zakat.

Unified financial statement were prepared on an accrual basis, except unified statement of cash flows which was prepared depending on historical cost, beside some financial tools and assets available for selling and investments that classified with the fair value, the book value of assets and liabilities specified to cover risks of fair value, should be settled to register changes in fair value that its risks are effectively covered.

Upon application of international standards, cost form related to measure properties, factories, equipments and real estate investments has been applied, this considered date of application as per version of Capital Market Authority issued on 16/10/2016 with compliance with all requirements related international standards approved by Saudi Legal Accountants Authority.



2020

## **Investments with Fair Value Through Other Comprehensive Income**

Description	Regulatory Form	Location	Property%	31/12/2020	31/12/2019
	Unlisted Inve	estments			
Red Sea Cables Co.	Saudi closed stock company	Riyadh	27%	45,650	46,300
Al-Reef Sugar Refinery Co.	Saudi closed stock company	Jeddah	15%	37,125	26,077
	11 4	114		82,775	72,377

## **Investment with Fair Value**



## BOAVRID OF IDERINCTIONS REPORT www.carpets.com 2020

#### **Movement of Change in Fair Value**

Description	31/12/2020	31/12/2019
	In Thousand Riyal	In Thousand Riyal
Balance in the beginning of year	72,377	75,238
Additives during the year	1,575	-
Profits reassessment of investments in fair value	8,823	-2,861
Fair value in last of the year	82,775	72,377

- During the year, the company flowed (1,575) thousand Saudi Riyal which is 50% payment of the group portion in increasing the capital of Al-Reef Sugar Refinery Co. as 7% of the company's capital as per decision of board of directors of Al-Reef Sugar Refinery Co. on 28/02/1442H corresponding 14/10/2020.
- The group has no any type of domination or important influence on participation in financial and operational decisions of companies in which it invest.
- The above mentioned fair value is evaluated as on 31/12/2020 by a certified evaluator (Value Expert
  Office for Evaluation of Economic Institutions)- license number (3912000003), reserve of fair value was
  confirmed throughout other comprehensive income.

#### **Real Estate Investments**

Description	31/12/2020 In Thousand Riyal	31/12/2019  In Thousand Riyal
Lands	50.000	50.000

- Real estate investments represent in real estate shareholding of a land at Al-Madinah Al-Munawarah (aiming to gain a capital income or profit) with a percentage of 4.58% as per contract of land participation between the company and one of local real estate investment companies which land property instrument has been registered in its name, it also has the right to sell the land or to behave without notification of the company, in this case value of selling and profits should be distributed as per participation portion directly after selling.
- Fair value reached to (57.140) thousand Saudi Riyal as on 31/12/2020, (55.354) thousand Saudi Riyal in 2019 as per evaluation of the company portion in this land by (Adhwaa Al-Arab Co.) license number (1210000846) as a certified evaluator as on 31/12/2020 and 2019.



## BOAVRID OF DURINGTOBS BEPORT

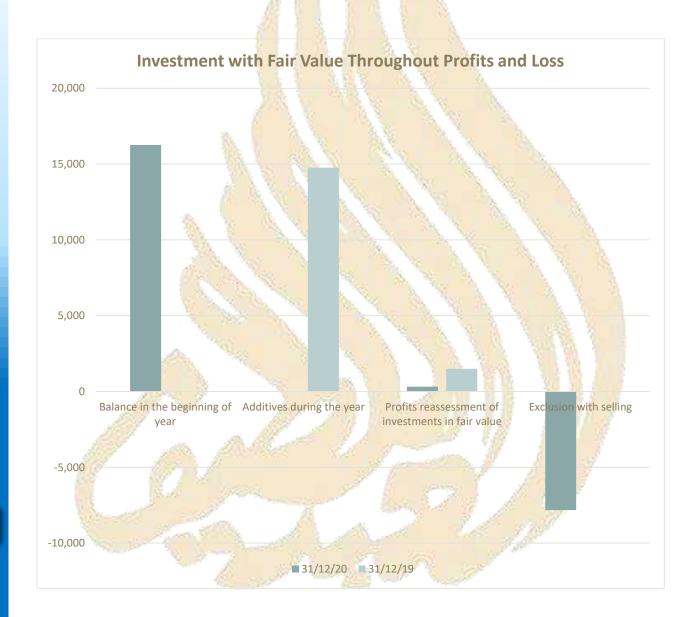
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## **Investment with Fair Value Throughout Profits and Loss**

Description	31/12/2020	31/12/2019
	In Thousand Riyal	In Thousand Riyal
Balance in the beginning of year	16,258	-
Additives during the year	M M	14,759
Profits reassessment of investments in fair value	309	1,499
Exclusion with selling	-7,817	-
Balance in the last of year	8,750	16,258

Investments represent in shares of listed company (Saudi ARAMCO).





## 2020

#### **Information Related to the Company's Loans**

1- Long-term loans:

The company acknowledge that there are no long-term loans have been received in 2020.

2- Short-term loans:

Loans Movement	31/12/2019	31/12/2020
	In Thousands Saudi Riyals	In Thousands Saudi Riyals
Finance of commercial facility and short-term Murabah	145,861	66,653
Deduction: delayed finance commissions	-1,506	-349
Net value of Islamic loans	144,355	66,304

In accordance with facilities agreements signed with local banks, the company has obtained facilities with credit limit of (566.7) million Saudi Riyals.

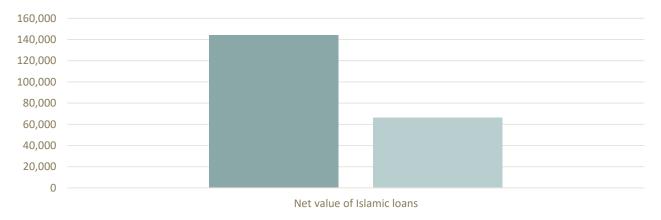
All of them are short-term loans for the following purposes:

- Finance to buy and import required raw materials for production.
- Finance of the company operational period and working capital.
- Buying materials via the open account of SABIC.
- Documentary credits and warranties.
- Murabahat & Tawaruq.
- Precautions regarding risks of foreign currencies.

#### As per the following warranties:

- Order bonds in maximum limit of facilities amount.
- General agreement of Islamic commerce finance.
- Main agreement of precaution.

## Short-term loans

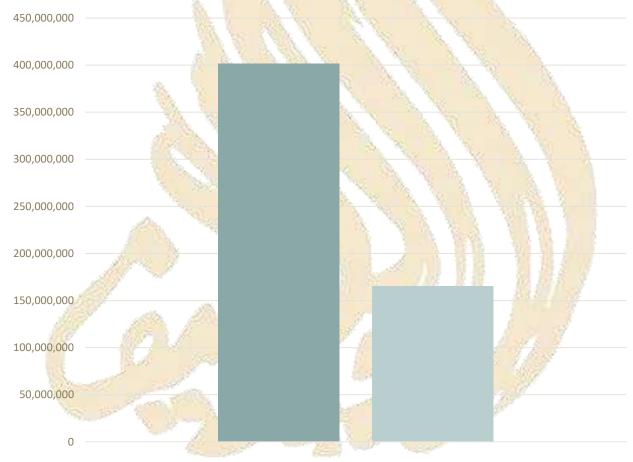


**■** 31/12/19 **■** 31/12/20

(in thousands Saudi Riyals)

Bank Name	Tawaruq & Murabahat	Direct credit alternatives and documentary credits and banking warranties and shipping warranties	Primary and final warranties	Precautions from foreign exchange fluctuation	Total
Riyad Bank	300,000,000	100,000,000	8 4	1,500,000	401,500,000
GARR	70,000,000	50,000,000	15,000,000	5,250,000	1.55.250.000
SABB	25,000,000		1 1		165,250,000
Total facilities granted	395,000,000	165,000,000	1/4/1	6,750,000	566,750,000

## **Existed Credit Facilities Agreement**

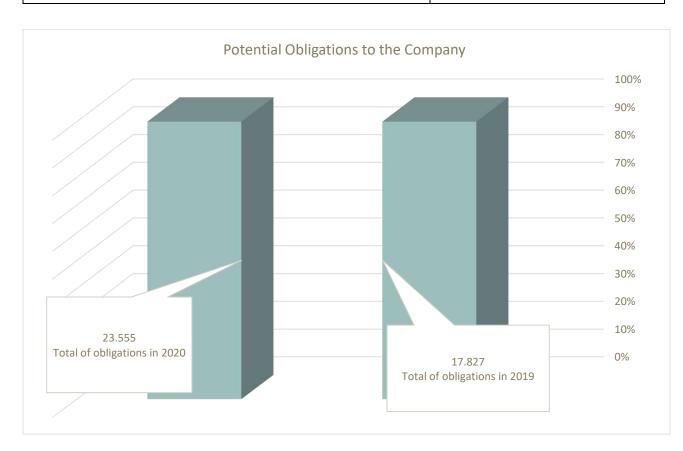


■ Riyad Bank ■ SABB

### **Potential Obligations to the Company**

The potential obligations of the company in fiscal year 2019 was (17.829) thousand Saudi Riyals, while it was (23.555) thousand Saudi Riyal in fiscal year 2020, versus guarantee's letters and documentary credits as per banking certificates issued by those banks, as shown in the below table:

Name of the Company	Obligations in Saudi Riyals 2020	Dues in Saudi Riyals 2020	Name of the Bank			
Al Abdullatif Industrial Investment Co.	16,191	226				
Eastern Spinning Co.	-	12,777				
National Spinning Co.	-	-	SABB			
ADFA Blankets Co.	-	-				
Total of SABB Obligations and Dues	16,191	13.003				
Banking Credits and Warranties	7,364	-	Riyadh			
Total for purposes of clarification in financial statements	23,555	13.003	-			
The potential obligations of the company in fiscal year 2019 was (17.829) thousand Saudi Riyals, while it was (23.555) thousand Saudi Riyal in fiscal year 2020						
Total of obligations in	17,8	27				
Total of obligations in	2020	23,5	55			



## BOAVRID OF DURECTORS REPORT www.carpets.com 2020

#### **Report of Auditors and Financial Statements**

Al-Sayed Al-Ayouti & Partners Co. has conducted auditing of financial statements of Al Abdullatif Industrial Investment Co. (the Main Company) and its subsidiaries, this included auditing of unified statement of financial center as on 31/12/2020 and unified statement of profits, loss and other comprehensive income, statement of change in shareholders' rights and unified statement of cash flows for the fiscal year ended on this date, the report of the auditor informs the following:

- 1- The unified financial statement was fairly shown from all substantial sides, financial center of companies on 31/12/2020, its financial performance and cash flows for the year ended on that date, in accordance with international standards for financial report approved in Kingdom of Saudi Arabia and other standards and versions approved by Saudi Legal Accountants Authority, which is consistent with the company's circumstances.
- Evidence of auditing obtained by the auditor were enough and adequate as a base of his opinion. 2-
- The following main matters have been audited:
- Achievement of revenue. (A)
- (B) Possibility to refund commercial receivables.
- (C) Assessment of stock.
- Properties, machines and equipments.

#### The auditing company also inform the following:

- The administration is responsible for preparation of unified financial statement and fairly shown them as per international standards of financial report approved in Kingdom of Saudi Arabia and other standards and versions approved by Saudi Legal Accountants Authority and provisions of the companies law and policy of the company and internal control system which the company think it is important for preparation financial statements free of substantial falsification, whether resulted from cheating or mistake.
- As a part of auditing as per international standards of financial report approved in Kingdom of Saudi Arabia, professional rule should be practiced and keeping trend of professional doubt within auditing and determination and assessment of substantial falsifications in unified financial statements, whether they were resulted from cheating or mistake, design and implementation of auditing procedures responding those risks, and obtaining enough and adequate evidence in order to be a base for his own opinion.
- Understanding internal control systems related to auditing, in order to design auditing which is consistent with circumstances, and not for purpose of opinion in effectiveness of internal control systems of the company.
- To evaluate adequacy of used accounting policies, and reasonability of relevant accounting estimation and disclosures performed by the company.
- To conclude adequacy of the administration application for base of accounting continuance, based on auditing evidence.
- To evaluate the general presentation, structure and content of unified financial statements, included disclosures and determination if the unified financial statements represent relevant transactions and events in the way that can achieve fair display.

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#### **Auditors of the Company and Financial Statements**

The 5<sup>th</sup> ordinary assembly general held on 10/06/2020 to appoint Al-Sayed Al-ayouti & Partners Co. "Legal Accountants" to audit the company accounts for one year starting from 01/04/2020 in order to check-up, review and auditing quarterly, annul and first quarter of the fiscal year 2020 with determination of the auditing company' fees, it should be noted that Mohammed Al-Haij & Khaled Bahammam Co. "Legal Accountants" has audited the company accounts for the first quarter ended on 31/03/2020, due to delay of meeting of 15<sup>th</sup> ordinary assembly general which was held on the above mentioned date.

#### **Internal Control and Auditing**

Under directing of the auditing committee and approval of the board of directors, department of internal control and officials of internal auditing whom have been contracted to provide services of internal auditing as per a plan approved by the auditing committee and agreed by the board of directors in order to achieve the following goals:

- To provide the auditing committee with objective and reliable reports in fit time.
- To assist the administration in development of its administrative, financial and technical systems to be consistent with development requirements and to achieve operational and financial discipline.
- Review and evaluation the competency and effectiveness of internal control system to ensure decreasing of risks.
- To determine employees' compliance to the company policies and procedures.
- Review of methods to ensure safety of the company assets and verification of the actual existence.
- To determine reliance on financial system and statements.
- To conduct regular and periodical review for different activities, and submission results and recommendations.
- Attempt to prevent intentional and unintentional mistakes and taking required precautions.





#### **Work Scope of Internal Auditing**

Periodical check-up for departments, included control systems and risks management in the company, during adequate periods to ensure that administrative, accounting and control tasks and functions have been effectively performed, in accordance with policies, procedures and instruction approved by the company and as per the company objectives and the best administrative practices, included the following below:

- The used methods and means to keep the company's assets, included informative assets and protecting them from danger of theft, damage, destroying, misusage, negligence, incompetency, improper commercial practices and inadequate disclosure or corruption.
- Possibility to depend on security and safety of financial and operational information within the company,
   method used in determination, measurement and classification of those information.
- Existed systems to ensure compliance to policies, plans and procedures that influenced on the company.
- Extent of effectiveness and competency in using of resources in reasonable cost.
- To notify staffs in charge at the checked department about results of check-up and concluded views and recommendations aiming to take necessary procedures to treatment weakness sides.
- Evaluation of plans and procedures decided by the relevant departments to treat remarks and recommendations of auditing report, if the taken procedures are not enough, the matter should be discussed with staffs in charge to ensure sufficiency of taken procedures.
- To assist in planning, design and development of information systems to ensure of enough control on systems, and all procedures of systems check-up are performed in fit time.





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## Board of Directors

The company boarder of directors is taken over by seven members whom were selected by the 6<sup>th</sup> unordinary assembly general via accumulative vote on Wednesday 10/05/1440H corresponding 16/01/2019 (for three years starting from 23/01/2019) as per the company policy and in accordance with the companies' regulations, it is possible to reselect members whose their period is ended after consent of ordinary assembly general upon opening selection for membership of board of directors, members are classified as per definitions mentioned in article (1) of companies governance regulations in Kingdom of Saudi Arabia and issued by Capital Market Authority. The following statement includes number of meetings of director's board and attendance record for each meeting (it should be noted that chairman of board of directors didn't receive any written request regarding urgent meetings of two members or more during the finished fiscal year) and names of shareholding companies in which the member of board of directors is also a member in its director's boards:



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Names of directors board members	Position	Educational Level	Work experience	Member classification	Numbers of meeting attendance	Date of meeting	Number of meeting after the assembly	Membership in other committees	Membership in board of other companies
Sulaiman Omar Al Abdullatif	Board Chairman	Completion of education stages in KSA	43 years	Non- executive	4 out of 4	05/05/2020 14/07/2020 26/10/2020 30/12/2020	3	1	Al Abdullatif Holding Group Co. Red Sea Cables Al Abdullatif Furniture Co.
Abdulaziz Abdullatif Al- Dilaijan	Vice- Chairman	Bachelor of Statistics	41 years	Non- executive	4 out of 4	05/05/2020 14/07/2020 26/10/2020 30/12/2020	3	3	-
Abdullatif Omar Al Abdullatif	Managing director	Completion of education stages in KSA	31 years	executive	4 out of 4	05/05/2020 14/07/2020 26/10/2020 30/12/2020	3	1	Al Abdullatif Holding Group Co.  Natural Gas Distribution Co.  Al-Reef Sugar Refinery Co.  Al Abdullatif Furniture Co.
Fahad Omar Al Abdullatif	Member	Bachelor of public relations	25 years	executive	4 out of 4	05/05/2020 14/07/2020 26/10/2020 30/12/2020	3	1	Al Abdullatif Holding Group Co. Al Abdullatif Furniture Co.
Fozi Ayoub Mustafa Sabri	Member	Bachelor of architectural engineering	41 years	Independent	2 out of 4	05/05/2020 14/07/2020	3	1	Okaz Press & Publication Co. Al Abdullatif Industrial Investment Co.
Majed Abdulrahman Al- Ossailan	Member	Master of administrative science and bachelor of accounting	15 years	Independent	4 out of 4	05/05/2020 14/07/2020 26/10/2020 30/12/2020	3	2	Al- Madinah Cement Co. Natural Gas Distribution Co.
Hisham Abdulrahman Al-Askar	Member	Bachelor of law	11 years	Independent	4 out of 4	05/05/2020 14/07/2020 26/10/2020 30/12/2020	3	2	Yamama Cement Co.



## The Board's Committees and their Tasks

No.	Name of committee	Tasks of committee	The committee chairman and members	Number of meetings per year	Date of meetings in 2020
1	Executive committee	This committee is responsible for supervision on risks management in the company, development of long term objectives, to measure extent of achievement these objectives.	<ol> <li>Abdulaziz Abdullatif         Al-Dilaijan (Chairman)</li> <li>Abdullatif Omar Al         Abdullatif (Member)</li> <li>Fahad Omar Al         Abdullatif (Member)</li> </ol>	4 out of 4	27/05/2020 05/07/2020 18/10/2020 19/12/2020
2	Committee of auditing	To ensure from sufficiency of internal control systems, recommendation for board of directors to appoint legal accountants, study of primary and annual financial statements and reporting to board of directors, study of applied accounting policies and recommendation to board of directors.	Majed Abdulrahman Al- Ossailan (Chairman)     Abdulaziz Abdullatif Al-Dilaijan (Member)     Saleh Hassan Al Alshaikh (Member)	6 out of 6	19/03/2020 03/05/2020 19/05/2020 23/08/2020 4/11/2020 27/12/2020
3	Committee of reward and selection	This committee discusses different important subjects and submission of recommendations to the board of directors, then to develop clear policies of compensations and rewards for board of directors and senior executives, also recommendation to the board regarding selection for membership and to be sure of approved policies and standards and governance system.	Hisham Abdulrahman     Al-Askar (Chairman)     Fozi Ayoub Sabri     (Member).     Sulaiman Omar Al     Abdullatif (Member)	2 out of 2	27/04/2020 05/07/2020
4	Committee of risks management	Committee of risks management under the board of directors supervises on activities of risks management that can be conducted in different departments of the company in order to determine all main work risks, assess, and manage them. The committee ensures existence of systems, policies and procedures to manage these risks and to refer issues of main risks to the board of directors.	<ol> <li>Hisham Abdulrahman Al-Askar (Chairman)</li> <li>Abdulaziz Abdullatif Al-Dilaijan (Member)</li> <li>Majed Abdulrahman Al- Ossailan (Member)</li> </ol>	2 out of 2	01/06/2020 25/10/2020



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### **Name of Board of Directors Members:**

No.	Name	Current Position	Previous Position	Educational Qualifications
1	Sulaiman Omar Al Abdullatif	Chairman of board of directors – Al Abdullatif Industrial Investment Co. – General director of Al Abdullatif Furniture Co.	Chairman of board of directors – Al Abdullatif Industrial Investment Co. – General director of Al Abdullatif Furniture Co.	Completion of education stages in KSA
2	Abdullatif Omar Al Abdullatif	Board of directors member, managing director and CEO	Board of directors member, managing director and CEO	Completion of education stages in KSA
3	Fahad Omar Al Abdullatif	Board of director member, Vice-CEO of Al Abdullatif Industrial Investment Co.	Board of director member, Vice- CEO of Al Abdullatif Industrial Investment Co.	Bachelor of media
4	Abdulaziz Abdullatif Al- Dilaijan	Retired, vice-chairman of Al Abdullatif Industrial Investment Co., chairman of executive committee and member of auditing committee	Retired, vice-chairman of Al Abdullatif Industrial Investment Co., chairman of executive committee and member of auditing committee	Bachelor of statistics
5	Fozi Ayoub Mustafa Sabri	Member of directors board of Al Abdullatif Industrial Investment Co., Chairman of board of directors in Saden Alaraba	Member of directors board of Al Abdullatif Industrial Investment Co., Chairman of board of directors in Saden Alaraba	Bachelor of architectural engineering
6	Majed Abdulrahman Al- Ossailan	Member of directors board of Al Abdullatif Industrial Investment Co., assistant CEO of Al-Madinah Cement Co.	Member of directors board of Al Abdullatif Industrial Investment Co., assistant CEO of Al- Madinah Cement Co.	Master of business administration and bachelor of accounting
7	Hisham Abdulrahman Al- Askar	Member of directors board of Al Abdullatif Industrial Investment Co., chairman of Hisham Al-Askar& Partner for Lawyer & Legal Consultations	Member of directors board of Al Abdullatif Industrial Investment Co., chairman of Hisham Al- Askar& Partner for Lawyer & Legal Consultations	Bachelor of law





No.	Name	Experiences
1	Sulaiman Omar Al Abdullatif	Experience for 43 years in management, industry and production, beside board's membership in many companies and committees
2	Abdullatif Omar Al Abdullatif	Experience for 31 years in management, industry and production, beside board's membership in many companies and committees
3	Fahad Omar Al Abdullatif	Experience for 25 years in management, industry and production, beside board's membership in many companies and committees
4	Abdulaziz Abdullatif Al-Dilaijan	Experience for 41 years in field of contracting and administrative consultation, beside board's membership in many companies and committees
5	Fozi Ayoub Mustafa Sabri	Experience for 41 years in field of contracting, trade and industry of cars and service and security preparations, administration of Manufacturing and International Support Holding Co., administration of Altadrea Industry Co., beside board's membership in many companies and committees
6	Majed Abdulrahman Al-Ossailan	Experience for 16 years in management and credit in Riyadh Bank, information systems and administrative and financial affairs, beside board's membership in many companies and committees.
7	Hisham Abdulrahman Al-Askar	Experience for 12 years in lawyer and legal consultations, researcher in economic affairs, specialized in companies laws and stock exchange and commercial cases, legal consultant, beside board's membership in many companies and committees.



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### **The Committees' Members**

No.	Name	Current Position	Previous Position	Qualifications	Experiences
1	Abdulaziz Abdullatif Al-Dilaijan	Retired, vice-chairman of Al Abdullatif Industrial Investment Co., chairman of executive committee and member of auditing committee	Retired, vice-chairman of Al Abdullatif Industrial Investment Co., chairman of executive committee and member of auditing committee	Bachelor of statistics	Experience for 41 years in field of contracting and administrative consultation, beside board's membership in many companies and committees
2	Majed Abdulrahman Al-Ossailan	Member of directors board of Al Abdullatif Industrial Investment Co., assistant CEO of Al-Madinah Cement Co.	Member of directors board of Al Abdullatif Industrial Investment Co., assistant CEO of Al-Madinah Cement Co.  Master of business administration and bachelor o accounting		Experience for 16 years in management and credit in Riyadh Bank, information systems and administrative and financial affairs, beside board's membership in many companies and committees.
3	Saleh Hassan Al Alshaikh	Member of auditing committee at Al Abdullatif Co., financial controller at Civil Aviation Holding Co.	Financial controller at Al-Madinah Cement Co., member of auditing committee at Al Abdullatif Co.	Bachelor of business administration and master of business administration	Member of auditing committee at Al Abdullatif Co., Member of auditing committee at Al-Reef Sugar Refinery Co., Member of auditing committee at Al- Madinah Cement Co., financial analyst at SABIC

### **The Executive Committee**

No.	Name	Current Position	Previous Position	Qualification	Experiences	
1	Abdullatif Omar Al Abdullatif	Managing director and CEO	Managing director and CEO	Completion of education stages in KSA	Experience for 31 years in management, industry and production, beside board's membership in many companies and committees	
2	Fahad Omar Al Abdullatif	Board of director member, Vice- CEO of Al Abdullatif Industrial Investment Co.	Board of director member, Vice- CEO of Al Abdullatif Industrial Investment Co.	Bachelor of media	Experience for 25 years in management, industry and production, beside board's membership in many companies and committees	
3	Abdulaziz Abdullatif Al-Dilaijan	Retired, vice- chairman of Al Abdullatif Industrial Investment Co., chairman of executive committee and member of auditing committee	Retired, vice-chairman of Al Abdullatif Industrial Investment Co., chairman of executive committee and member of auditing committee	Bachelor of statistics	Experience for 41 years in field of contracting and administrative consultation, beside board's membership in many companies and committees	

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## **Committee of Risks Management, Governance and Compliance:**

No.	Name	<b>Current Position</b>	Previous Position	Qualification	Experiences
1	Hisham Abdulrahman Al-Askar	Member of directors board of Al Abdullatif Industrial Investment Co., chairman of Hisham Al-Askar& Partner for Lawyer & Legal Consultations	Member of directors board of Al Abdullatif Industrial Investment Co., chairman of Hisham Al- Askar& Partner for Lawyer & Legal Consultations	Bachelor of law	Experience for 12 years in lawyer and legal consultations, researcher in economic affairs, specialized in companies laws and stock exchange and commercial cases, legal consultant, beside board's membership in many companies and committees.
2	Majed Abdulrahman Al- Ossailan	Member of directors board of Al Abdullatif Industrial Investment Co., assistant CEO of Al-Madinah Cement Co.	Member of directors board of Al Abdullatif Industrial Investment Co., assistant CEO of Al-Madinah Cement Co.	Master of business administration and bachelor of accounting	Experience for 16 years in management and credit in Riyadh Bank, information systems and administrative and financial affairs, beside board's membership in many companies and committees.
3	Abdulaziz Abdullatif Al-Dilaijan	Retired, vice-chairman of Al Abdullatif Industrial Investment Co., chairman of executive committee and member of auditing committee	Retired, vice- chairman of Al Abdullatif Industrial Investment Co., chairman of executive committee and member of auditing committee	Bachelor of statistics	Experience for 41 years in field of contracting and administrative consultation, beside board's membership in many companies and committees



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### **Remuneration and Nomination Committee:**

No.	Name	Current Position	Previous Position	Qualification	Experiences
1	Hisham Abdulrahman Al- Askar	Member of directors board of Al Abdullatif Industrial Investment Co., chairman of Hisham Al-Askar& Partner for Lawyer & Legal Consultations	Member of directors board of Al Abdullatif Industrial Investment Co., chairman of Hisham Al-Askar& Partner for Lawyer & Legal Consultations	Bachelor of law	Experience for 12 years in lawyer and legal consultations, researcher in economic affairs, specialized in companies laws and stock exchange and commercial cases, legal consultant, beside board's membership in many companies and committees.
2	Sulaiman Omar Al Abdullatif	Chairman of board of directors – Al Abdullatif Industrial Investment Co. – General director of Al Abdullatif Furniture Co.	Chairman of board of directors – Al Abdullatif Industrial Investment Co. – General director of Al Abdullatif Furniture Co.	Completion of education stages in KSA	Experience for 43 years in management, industry and production, beside board's membership in many companies and committees
3	Fozi Ayoub Mustafa Sabri	Member of directors board of Al Abdullatif Industrial Investment Co., Chairman of board of directors in Saden Alaraba	Member of directors board of Al Abdullatif Industrial Investment Co., Chairman of board of directors in Saden Alaraba	Bachelor of architectural engineering	<ul> <li>(5) years at Ministry of Information.</li> <li>(12) years at Al-Zaqzouq &amp; Matbouli Co.</li> <li>(17) years at Matbouli United Group.</li> <li>(6) years in business administration.</li> </ul>





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## **Executive management:**

No.	Name	Current Position	Previous Position	Qualification	Experiences
1	Abdullatif Omar Al Abdullatif	Managing director and CEO	Managing director and CEO	Completion of education stages in KSA	Experience for 31 years in management, industry and production, beside board's membership in many companies and committees
2	Fahad Omar Al Abdullatif	Board of director member, Vice- CEO of Al Abdullatif Industrial Investment Co.	Board of director member, Vice- CEO of Al Abdullatif Industrial Investment Co.	Bachelor of media	Experience for 25 years in management, industry and production, beside board's membership in many companies and committees
3	Hilal Abdulaziz Owaidhah	Financia <mark>l Financial</mark> manager manager		Bachelor of commerce	Experience for 35 years in field of finance in many industrial companies.
4	Saad Mohammed Saad Al-Qarni	General manager of human resources and investors relations and board secretary	General manager of human resources and investors relations and board secretary	Bachelor of business administration	Experience for 25 years in field of management, investors relations, human resources and administrative affairs.
5	Adel Shaar	CEO consultant	CEO consultant	Bachelor of architectural engineering	Experience for 32 year in field of management and production.





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Companies inside and outside Saudi Arabia in which the member of board of directors holds a position of member in current or previous board of directors or one of their directors

Member Name	Name of companies in which the member of board of directors holds a position of member in current or previous board of directors or one of their directors	Inside/Outside Saudi Arabia	Listed/Unlisted Shareholding	Name of companies in which the member of board of directors holds a position of member in current or previous board of directors or one of their directors	Inside/Outside Saudi Arabia	Listed/Unlisted Shareholding
Sulaiman Omar Al Abdullatif	Al Abdullatif Holding Group Co. Al Abdullatif Industrial Investment Co.	Inside Inside	Closed shareholding Listed shareholding	Al Abdullatif Holding Group Co. Al-Madina Cement Co. Red Sea Cables Co. Al Abdullatif Industrial Investment Co.	Inside Inside Inside Inside	Closed shareholding Listed shareholding Closed shareholding Listed shareholding
Abdulaziz Abdullatif Al-Dilaijan	Al Abdullatif Industrial Investment Co.	Inside	Listed shareholding	Al Abdullatif Industrial Investment Co.	Inside	Listed shareholding
Abdullatif Omar Al Abdullatif	Al Abdullatif Holding Group Co. Natural Gas Distribution Co. Al-Reef Sugar Refinery Co. Al Abdullatif Industrial Investment Co.	Inside Inside Inside Inside	Closed shareholding Closed shareholding Closed shareholding Listed shareholding	Al Abdullatif Holding Group Co. Natural Gas Distribution Co. Al-Reef Sugar Refinery Co. Al Abdullatif Industrial Investment Co.	Inside Inside Inside Inside	Closed shareholding Closed shareholding Closed shareholding Listed shareholding
Fahad Omar Al Abdullatif	Al Abdullatif Holding Group Co. Al Abdullatif Industrial Investment Co.	Inside Inside	Closed shareholding Listed shareholding	Al Abdullatif Holding Group Co. Al Abdullatif Industrial Investment Co.	Inside Inside	Closed shareholding Listed shareholding
Fozi Ayoub Mustafa Sabri	Al Abdullatif Industrial Investment Co Okaz Press & Publication Co.	Inside Inside	Closed shareholding Limited liability	Al Abdullatif Industrial Investment Co Okaz Press & Publication Co.	Inside Inside	Closed shareholding Limited liability
Majed Abdulrahman Al-Ossailan	Al Abdullatif Industrial Investment Co. Al-Madina Cement Co. Natural Gas Distribution Co.	Inside Inside Inside	Listed shareholding Listed shareholding Closed shareholding	Al Abdullatif Industrial Investment Co. Al-Madina Cement Co. Natural Gas Distribution Co.	Inside Inside Inside	Listed shareholding Listed shareholding Closed shareholding
Hisham Abdulrahman Al-Askar	Saudi Industrial Exports Co. Yamama Cement Co. Al Abdullatif Industrial Investment Co.	Inside Inside Inside	Listed shareholding Listed shareholding Listed shareholding	Saudi Industrial Exports Co. Yamama Cement Co. Al Abdullatif Industrial Investment Co.	Inside Inside Inside	Listed shareholding Listed shareholding Listed shareholding

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Description of any interest or subscription rights related to the board's members or senior executives

No.	Name of Interest Owner	Starting o 01/01		Up to 31/12/2020			
		Number of Shares	Debt Instruments	Number of Shares	Debt Instruments	Change Percentage	
1	Sulaiman Omar Al Abdullatif	2.031.250		2.031.250	-	0%	
2	Abdullatif Omar Al Abdullatif	2.031.250	100	2.031.250	-	0%	
3	Fahad Omar Al Abdullatif	1000	14	1000	-	0%	
4	Abdulaziz Abdullatif Al-Dilaijan	1250	8 - 8	1250	-	0%	
5	Fozi Ayoub Mustafa Sabri	1000	W 10	1000	-	0%	
6	Majed Abdulrahman Al-Ossailan	1111		1111	-	0%	
7	Hisham Abdulrahman Al-Askar	1200	1 - 3 }	1200	-	0%	

Description of any interest or subscription rights related to wives of the board's members or senior executives and their minor children:

No.	Name of Interest Owner	Starting o 01/01	f the Year /2019	Up to 31/12/2020			
		Number of Shares	Debt Instruments	Number of Shares	Debt Instruments	Change Percentage	
1	Sulaiman Omar Al Abdullatif		19-1	J. F.	1 1/2 1/2	-	
2	Abdullatif Omar Al Abdullatif	1 - 1	1 1	1 1	7 - T	<u> </u>	
3	Fahad Omar Al Abdullatif		Marie Contract	A STATE OF THE STA	7 Z V	9, -	
4	Abdulaziz Abdullatif Al-D <mark>ilaij</mark> an	A COLOR	200	1	1 1 1	-	
5	Fozi Ayoub Mustafa Sabri	1	1 1 1	1 1 2 6			
6	Majed Abdulrahman Al-Ossailan	F - 3	A- 1	1 1 E	1-14	-	
7	Hisham Abdulrahman Al-Askar	7		A n 1 8		-	



### **Rewards of Board of Directors Members:**

				Fixed R	eward	ls					Change	eable R	leward	s			
name	Certain amount of money	Allowance of meetings attendance	Meetings of the assembly general	Total of allowance of attendance committees meetings	Benefits in kind	Rewards of technical, administrative and consultation activities	Rewards of the chairman of the directors board, managing director and the secretary	Total	Percentage of profit	Periodical rewards	Short-term incentive plans	Long-term incentive plans	Granted shares	Total	Benefits of end service	Grand total	Expenses allowance
						Fir	stly: Indep	endent Me	mbers								
Fozi Ayoub Sabri	100000	6000	3000	3000	0	0	0	112,000	0	0	0	0	0	112,000	0	112,000	0
Hisham Al-Askar	100000	12000	3000	12000	0	0	0	127,000	0	0	0	0	0	127,000	0	127,000	0
Majed Alossaila n	100000	12000	3000	24000	0	0	0	139,000	0	0	0	0	0	139,000	0	139,000	0
Total	300000	30.000	9000	39000	0	0	0	378,000	0	0	0	0	0	378,0000	0	378,000	0
		1	1	ı	1	Secon	ndly: Non-	Executive N	Membe	ers	1						1
Sulaiman Alabdulla tif	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Abdulaziz Aldilaijan	100000	12000	3000	36000	0	0	0	151,000	0	0	0	0	0	151,000	0	151,000	0
Total	100000	12000	3000	36000	0	0	0	151,000	0	0	0	0	0	151,000	0	151,000	0
						T	hirdly: Exe	cutive Mer	nbers								
Abdullatif Alabdulla tif	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Fahad Alabdulla tif	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0



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## **Rewards of Senior Executives:**

			Fixed R	Rewards		C	hangeable Rew	ards		
name	Senior Executives	Salaries	Allowance	Benefits in kind	Total	Periodical rewards	Total	Benefit of end service	Grand total	
Abdullatif Al	CEO	600,000	-	28,506	628,506	() ±0	-	-	628,506	
Abdullatif			40			A				
Hilal Awaidh	Financial	235,500	82,425	12,428	330,353	. (0	i	24,906	355,259.25	
	Manager				3	Y				
	Manager of	420,000	147,000	62,724	629,724	142,250	142,250	43,750	815,724	
Adel Al-	strategic		200	7.9		B 18	A			
Shaar	planning and	Mr.	1 3	V.	1(6		¥ .	6.		
	investment	1	1	18		8	1	1		
Fahad	Vice-CEO	264,000	13	3,681	267,681	1	1. 1	196	267,681	
AlAbdullatif			1		J. Commission	1.2				
	Technician of	258,000	90,300	44,801	393,101	33,125	33,125	26,875	453,101	
Gustino	mechanical	N. A.		100		100	18	1	3	
	production				d i	18	1	A V	A.	
	Manager of	228,000	57,000	47,805	332,805	57,000	57,000	23,750	413,555	
	human		13.3	1	3/2		10		1	
Saad Al-	resources,	11/4		The contract of	A. A.	1	1.3 4			
Qarni	Investor relations,	7	1	- No.	50			70 1		
	secretary of the	and the same	À							
	council	alls	A STATE OF THE PARTY OF THE PAR	and the same		1		283	1	
	7 1		All Section	W.	d F	-	$\mathcal{M}$	1		
Awadallah	Administrative	166,000	58,100	31,101	255,201	85,800	85,800	17,291.67	358,292.67	
Babaker	consultant	and the same	and some	A STATE OF	4	البرأية	THE ME			
Т	otal	2,171,500	434,825	231,046	2,837,371	318,175	318,175	136,572.92	3,292,118.92	
			market (CE)	0.00	H.			\$100		

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## **Rewards of the Committees Members:**

Member Name	Fixed Rewards	Allowance of Meetings Attendance	Total							
Members of Auditing Committee										
1. Abdulaziz Abdullatif Al-Dilaijan	0	18,000	18,000							
2. Majed Abdulrahman Al-Ossailan	0	18,000	18,000							
3. Saleh Hassan Al Alshaikh	0	18,000	18,000							
Total: 3		54,000	54,000							
N	Members of Rewards and Sele	ction Committee								
Sulaiman Omar Al Abdullatif	0	0	0							
2. Fozi Ayoub Sabri	0	3,000	3,000							
3. Hisham Abdulrahman Al-Askar	0	6,000	6,000							
Total: 3		9,000	9,000							
	Members of Executive C	Committee								
Abdulaziz Abdulaziz Aldilaijan	0	12,000	12,000							
2. Abdullatif Omar Al Abdullatif	0	0	0							
3. Fahad Omar Al Abdullatif	0	0	0							
Total: 3		12,000	12,000							
	Members of Risks Co	mmittee								
Hisham Abdulrahman Al-Askar	0	6,000	6,000							
2. Majed Abdulrahman Alossailan	0	6,000	6,000							
3. Abdulaziz Abdulaziz Aldilaijan	0	6,000	6,000							
Total: 3	0	18,000	18,000							

## The company's Requests to Shareholders' Register and Date and Causes of those Request:

Number of the company's request	Date of request	Causes of request
1	22/03/2020	other
2	29/03/2020	Other

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Punishments and Penalties Imposed Against the Company:

The company declares that, it has never received any punishment or restriction from Capital Market Authority or any other government body.

### **Shareholders:**

The com[any approves a system that assures right of shareholders in many things; such as their right to obtain a portion of distributable profits and their right to behave in shares (in accordance with applied laws and regulations) and right of shareholders in transferring of share's property and their right to attend meetings of the assembly general and participation in discussions and voting regarding relevant decisions and their right in appointment of the company accounts auditors.

The company also is compliant to provide shareholders with enough information in fit time related to location and schedule of meetings of the assembly general, beside to full information in fit time regarding issues about which decision will be taken in the meeting, additional to give shareholders an opportunity to ask questions during the meetings of the assembly general if there are any queries about terms offered and listed within business schedule, the company also is compliant to give shareholder right to monitor the company performance and activities of the directors board without prejudice to the interests of the company and not to contradict with regulations of Capital Market Authority, Saudi companies law and policy of the company, also to give shareholders right of query and viewing on records and documents of the company without prejudice to the interests of the company and not to contradict with regulations of Capital Market Authority, Saudi companies law and policy of the company, shareholders have the right to register their shares in the company shareholder register. The company will undertake to submit copies of financial statements and reports in the company main office at disposal of shareholders before determined date of the assembly general meeting.

#### Rewards Policy for Board of directors, Its Committees and the Executive Administration:

Rewards policy for board of directors, its committees and the executive administration has been prepared in accordance with companies laws issued by Capital Market Authority.

#### Objective:

**First:** this policy aims to develop clear standards for rewards of board of directors, its committees and senior executives within companies laws, regulatory rules and procedures and the company policy and regulations of companies governance.

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#### Second: general standards of rewards

Committee of rewards and selection is specialized to recommend the board of directors with rewards of the board, committees and senior executives at the company as per the following standards:

- Rewards should be consistent with the company strategy and objectives.
- Rewards should be aiming to encourage the members board and the executive administration to succeed the company on the long-term level.
- Rewards should be determined according to educational qualifications, work experiences and performance level (taking into consideration other practices of companies in rewards determination, and avoiding what may be resulted of unjustified elevation in rewards and compensations).
- Taking into consideration business sector of the company, its size and experience of their board of directors.
- Aiming to attract and keeping of professional competent and to motivate them without any exaggeration.
- Rewards of the board of directors can be variable that should reflect the member experience, specializations and assigned duties.

#### Third: rewards of the board of directors members

- Rewards of the board of directors consist of a certain money or allowance of meetings attendance, expenses allowance or benefits in kind and it is possible to gather both of them or more than these advantages, but not exceeding what was stipulated in companies law.
- Annual report of board of directors presented to the general assembly of shareholder should include a comprehensive statement of rewards, expenses allowance, and other benefits gained by the board of directors members during the fiscal year, this should include what they have received as employees, or administrators or for technical or administrative activities, or consultations if any.
- In all cases, annual rewards, financial benefits or in kind gained by board of directors member should not be exceed what was stipulated in companies law, taking into consideration number of meetings attendance.

## Fourth: rewards of the committees members

- The board of directors approves allowance of attendance for its subsidiaries committees, as per recommendation of rewards and selection committee.
- It is possible to pay rewards for members of subsidiaries committees at the end of the year after consent of the assembly general.

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#### Fifth: rewards of the executive administration

Committee of rewards and selections reviews the annual rewards of senior executives as per indices of performance measurement approved by the board of directors.

Rewards and compensations of the executive administration include the following:

- A basic salary that should be paid at the end of every Gregorian month.
- Allowance which include housing and transport.
- Medical insurance for him and his family as policy of human resources.
- Insurance of labor injury and total or partial disability and death during work.
- Annual reward which associated with indices of performance measurement according to the annual assessment.
- Other benefits which include annual vacation, annual travel tickets, benefits of end service as per labor law and policy of human resources approved by the company.
- The CEO performs the rewards policy as per recommendation of rewards and selections committee and approval of the board of directors.

#### Sixth: general provisions

- The board of directors has no right to vote regarding article of the board rewards in the meeting of assembly general for shareholders.
- The company should disclose rewards of the board of director, committees and senior executives in the
  annual report submitted to the administration as per rules issued by companies law and regulations of
  Capital Market Authority.
- Procedures related to pay annual rewards of the board of directors and committees should be prepared
  in coordination between the board secretary and the financial department and approval of the CEO.
- Allowance of meetings attendance can be paid after end of meetings, while annual rewards for the board
  or the committees should be paid after approval in the annual meeting of the assembly general.

#### Seventh: rewards details of the board of directors and its committees

- A) The board of directors:
- Allowance of meeting attendance is 3000 Saudi Riyal for each meeting.
- Hotels booking for members came from outside Riyadh to attend the meeting.
- Ticket on economic class for members came from outside Riyadh to attend the meeting.
- Annual rewards of 100 thousands Saudi Riyal for all members of the board after consent of the assembly general.
- B) Members of committees:
- Allowance of meeting attendance is 3000 Saudi Riyal for each meeting.
- Content of this policy should be applied from date of approval by the assembly general for shareholders, any proposed modifications should be submitted to the board of directors, which will review those modifications and recommends the assembly general for approval.



#### The methods that the Board of Directors depend on to Assess Performance of its Members and Committees:

Based on recommendation of rewards and selections, the board of directors has approved a mechanism to assess performance of the directors board and its subsidiaries committees and these policies will be activated in the future.

The procedures that have been taken by the board of directors to inform members, especially non-executives about suggestion and notes of shareholders regarding the company and its performance:

The board of directors reviews suggestions and notes of shareholder about the company performance via meeting of the assembly general, these suggestion have been recorded in minutes of meetings and all members in board of directors should be provided with a copy of it, the call center also receives suggestion and questions of shareholders that will be studied by secretary of the board of directors and relations of investors and the board of directors will be regularly informed the important suggestions and remarks, also propositions of shareholders came via e-mail, in the first meeting of board of directors, especially the non-executive ones, the chairman of board of directors also inform about shareholder suggestions, if any.





## The 15<sup>th</sup> Meetings of the Company Assembly General:

Statement of date of assembly general for shareholders held during the last fiscal year and names of board of directors attendance:

No.	Name	The 15 <sup>th</sup> Meetings of the Company Assembly General 10/06/2020	
1	Sulaiman Omar Al Abdullatif	Present	
2	Abdullatif Omar Al Abdullatif	Present	
3	Fahad Omar Al Abdullatif	Present	
4	Abdulaziz Abdullatif Al-Dilaijan	Present	
5	Fozi Ayoub Mustafa Sabri	Present	
6	Majed Abdulrahman Al-Ossailan	Present	
7	Hisham Abdulrahman Al-Askar	Present	

- 1- Report of the board of directors for the year ended on 31/12/2019 was approved.
- 2- Report of accounts auditors for the year ended on 31/12/2019 was approved.
- 3- Report of the financial statements for the year ended on 31/12/2019 was approved.
- 4- It was approved to appoint Al-Sayed Al-Ayout Co. as legal auditor for the company's accounts, to checkup, review and auditing the financial statement for (first, second and third) quarter and annual for the fiscal year 2020 and first quarter for the fiscal year 2021 with determined fees.
- 5- The board of directors was authorized to distribute interim profits as midterm or quarterly for the fiscal year 2020.
- 6- It was approved to authorize the board of directors with authority of ordinary assembly general as per license mentioned in paragraph (1) of 71<sup>st</sup> article of companies law, for one year starting from date of approval up to end of period of the authorized board of directors, which of both comes first, in accordance with conditions stipulated in regulatory controls and procedures issued by companies law regarding listed shareholding companies.
- 7- It was approved on activities and contracts conducted between the company and Al Abdullatif Furniture Co. in which board of directors member Mr. Sulaiman Omar Al Abdullatif has no direct interest, which are sales, mainly represented in wholesales for carpets and moquettes products, it should be noted that the relation doesn't differ from dealing with normal commercial debtor and creditors, there are no preferable conditions for dealing, value of these transaction in 2019 was (31.964) thousand Saudi Riyal.

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- 8- It was approved on activities and contracts conducted between the company and Al Abdullatif Furniture Co. in which board of directors member Mr. Sulaiman Omar Al Abdullatif has no direct interest, which is (renting contract of warehouses of Al Abdullatif Co. "lessor" and Al Abdullatif Furniture Co. "tenant", it should be noted that the relation doesn't differ from dealing with normal commercial debtor and creditors, there are no preferable conditions for dealing, value of these transaction in 2019 was (3.217) thousand Saudi Riyal.
- 9- It was approved on activities and contracts conducted between the company and Al Abdullatif Furniture Co. in which board of directors member Mr. Sulaiman Omar Al Abdullatif has no direct interest, it should be noted that the relation consists of a contract to provide service of ration and housing between Retaj Al Waseel Company for Maintenance, Services and subsistence "lessor" one of the company's subsidiaries and Al Abdullatif Furniture Co. "tenant", there are no preferable conditions for dealing, value of these transaction in 2019 was (813) thousand Saudi Riyal.
- 10- It was approved on activities and contracts conducted between the company and Al Abdullatif Furniture Co. in which board of directors member Mr. Sulaiman Omar Al Abdullatif has no direct interest, relation nature is to provide logistic services for Al Abdullatif Furniture Co. (works in the workshop/electronics maintenance/computer maintenance), the relation doesn't differ from dealing with normal commercial debtor and creditors, there are no preferable conditions for dealing, value of these transaction in 2019 was (92) thousand Saudi Riyal.
- 11- It was approved on activities and contracts conducted between the company and Al Abdullatif Furniture Co. in which board of directors member Mr. Sulaiman Omar Al Abdullatif has no direct interest, which is (renting contract of housings from of Al Abdullatif Co. "lessor" and Al Abdullatif Furniture Co. "tenant" for housing some staffs of Al Abdullatif Co., the relation doesn't differ from dealing with normal commercial debtor and creditors, there are no preferable conditions for dealing, value of these transaction in 2019 was (255) thousand Saudi Riyal.
- 12- It was approved on activities and contracts conducted between the company and Al Abdullatif Furniture Co. in which board of directors member Mr. Sulaiman Omar Al Abdullatif has no direct interest, relation nature is renting contracts of warehouses and sales center outside Riyadh in favor of ADFA Blankets Co., one of the company's subsidiaries, and nature of relation doesn't differ dealing with normal commercial debtor and creditors, there are no preferable conditions for dealing, value of these transaction in 2019 was (118) thousand Saudi Riyal.
- 13- It was approved on activities and contracts conducted between the company and Al Abdullatif Furniture Co. in which board of directors member Mr. Sulaiman Omar Al Abdullatif has no direct interest, relation nature consists of carpets costs in projects of Al Abdullatif Co. and the executed body is Al Abdullatif Furniture Co., and nature of relation doesn't differ dealing with normal commercial debtor and creditors, there are no preferable conditions for dealing, value of these transaction in 2019 was (532) thousand Saudi Riyal.

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- 14- It was approved on activities and contracts conducted between the company and Al Abdullatif Furniture Co. in which board of directors members Mr. Sulaiman Omar Al Abdullatif and Mr. Majed Al-Ossailan have no direct interest, relation nature is generally purchases from Natural Gas Distribution Co., and nature of relation doesn't differ dealing with normal commercial debtor and creditors, there are no preferable conditions for dealing, value of these transaction in 2019 was (1764) thousand Saudi Riyal.
- 15- It was approved to pay (400.000) thousand Saudi Riyal as a reward for board of directors members for the fiscal year ended on 31/12/2019.
- 16- It was approved to discharge board of directors members for the fiscal year ended on 31/12/2019.





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### **Recommendations of Board of Directors:**

The board of directors recommends dear shareholder and attendants during the coming assembly general of the company to vote on the following:

- 1- Voting on report of board of directors ended on 31/12/2019.
- 2- Voting on report of accounts controller ended on 31/12/2019.
- 3- Voting on audited financial statements ended on 31/12/2019.
- 4- Voting on appointment of accounts auditor from candidates as per recommendation of the auditing committee, in order to check-up, review and auditing of financial statements for (first, second and third quarters and annual) of the fiscal year 2021, and first quarter of the fiscal year 2022 with fees determination.
- 5- Voting on authorization of the board of directors regarding distribution of interim profits in midterm or quarterly basis for the fiscal year 2021, and determination of due and payment date as per regulatory controls and procedures issued by companies law.
- 6- Voting on activities and contracts conducted between the company and Al Abdullatif Furniture Co. in which board of directors member Mr. Sulaiman Omar Al Abdullatif and Mr. Abdullatif Omar Al Abdullatif and Mr. Fahad Omar Alabdullatif has no direct interest, which are sales, mainly represented in wholesales for carpets and moquettes products, it should be noted that the relation doesn't differ from dealing with normal commercial debtor and creditors, there are no preferable conditions for dealing, value of these transaction in 2019 was (29.945) thousand Saudi Riyal.
- 7- Voting on activities and contracts conducted between the company and Al Abdullatif Furniture Co. in which board of directors member Mr. Sulaiman Omar Al Abdullatif and Mr. Abdullatif Omar Al Abdullatif and Mr. Fahad Omar Alabdullatif has no direct interest, which is (renting contract of warehouses of Al Abdullatif Co. "lessor" and Al Abdullatif Furniture Co. "tenant", it should be noted that the relation doesn't differ from dealing with normal commercial debtor and creditors, there are no preferable conditions for dealing, value of these transaction in 2019 was (2.948) thousand Saudi Riyal.
- 8- Voting on activities and contracts conducted between the company and Al Abdullatif Furniture Co. in which board of directors member Mr. Sulaiman Omar Al Abdullatif and Mr. Abdullatif Omar Al Abdullatif and Mr. Fahad Omar Alabdullatif has no direct interest, it should be noted that the relation consists of a contract to provide service of ration and housing between Retaj Al Waseel Company for Maintenance, Services and subsistence "lessor" one of the company's subsidiaries and Al Abdullatif Furniture Co. "tenant", there are no preferable conditions for dealing, value of these transaction in 2019 was (920) thousand Saudi Riyal.

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- 9- Voting on activities and contracts conducted between the company and Al Abdullatif Furniture Co. in which board of directors member Mr. Sulaiman Omar Al Abdullatif and Mr. Abdullatif Omar Al Abdullatif and Mr. Fahad Omar Alabdullatif has no direct interest, relation nature is to provide logistic services for Al Abdullatif Furniture Co. (works in the workshop/electronics maintenance/computer maintenance), the relation doesn't differ from dealing with normal commercial debtor and creditors, there are no preferable conditions for dealing, value of these transaction in 2019 was (100) thousand Saudi Riyal.
- 10- Voting on activities and contracts conducted between the company and Al Abdullatif Furniture Co. in which board of directors member Mr. Sulaiman Omar Al Abdullatif and Mr. Abdullatif Omar Al Abdullatif and Mr. Fahad Omar Alabdullatif has no direct interest, which is (renting contract of housings from of Al Abdullatif Co. "lessor" and Al Abdullatif Furniture Co. "tenant" for housing some staffs of Al Abdullatif Co., the relation doesn't differ from dealing with normal commercial debtor and creditors, there are no preferable conditions for dealing, value of these transaction in 2019 was (150) thousand Saudi Riyal.
- 11- Voting on activities and contracts conducted between the company and Al Abdullatif Furniture Co. in which board of directors member Mr. Sulaiman Omar Al Abdullatif and Mr. Abdullatif Omar Al Abdullatif and Mr. Fahad Omar Alabdullatif has no direct interest, relation nature is renting contracts of warehouses and sales center outside Riyadh in favor of ADFA Blankets Co., one of the company's subsidiaries, and nature of relation doesn't differ dealing with normal commercial debtor and creditors, there are no preferable conditions for dealing, value of these transaction in 2019 was (189) thousand Saudi Riyal.
- 12- Voting on activities and contracts conducted between the company and Al Abdullatif Furniture Co. in which board of directors member Mr. Sulaiman Omar Al Abdullatif and Mr. Abdullatif Omar Al Abdullatif and Mr. Fahad Omar Alabdullatif has no direct interest, relation nature consists of carpets costs in projects of Al Abdullatif Co. and the executed body is Al Abdullatif Furniture Co., and nature of relation doesn't differ dealing with normal commercial debtor and creditors, there are no preferable conditions for dealing, value of these transaction in 2019 was (26) thousand Saudi Riyal.
- 13- Voting on activities and contracts conducted between the company and Al Abdullatif Furniture Co. in which board of directors members Mr. Sulaiman Omar Al Abdullatif and Mr. Majed Al-Ossailan have no direct interest, relation nature is generally purchases from Natural Gas Distribution Co., and nature of relation doesn't differ dealing with normal commercial debtor and creditors, there are no preferable conditions for dealing, value of these transaction in 2019 was (1740) thousand Saudi Riyal.
- 14- Voting to (100.000) thousand Saudi Riyal for four members in board of directors as a reward for the fiscal year ended on 31/12/2019 with a total amount of (400.000) thousand Saudi Riyal, the members are: (Mr. Hisham Abdulrahman Al-Askar, Mr. Majed Abdulrahman Al-Ossailan, Mr. Abdulaziz Abdullatif Al-Dilaijan and Mr. Fozi Ayoub Sabri), it should be noted the rest 3 members; Mr. Sulaiman Omar Al Abdullatif, Mr. Abdullatif Omar Al Abdullatif and Mr. Fahad Omar Al Abdulltif waived from their rewards for the fiscal year ended on 31/12/2019.



15- Voting to discharge board of directors members for the fiscal year ended on 31/12/2019. Validity condition to conduct meeting of the assembly general is attendance of 25% of shareholders who represent the capital, each shareholder has the right to attend the 14th ordinary meeting of the assembly general, if the quorum is not completed, it is possible to hold the second meeting after one hour from the limited time of the first meeting, in all cases the second meeting will be valid whatever number of represented shares, shareholder who are not able to attend in the limited time and have intention to authorize others, they have to send required authorizations approved by one of Chambers of Commerce, or local banks, or notaries, or authorized persons, to be sent to the following address: Al Abdullatif Industrial Investment Co., 2nd Industrial City, P.O. Box 859, Riyadh 11421, Shareholders Affairs before at least two days from date of meeting, (ID is necessary), for further information, please contact: Tel: 0112658888 extension 322, Fax: 0112650285, everyone who desires to attend this meeting, he must bring with him the following: commercial register, ID, resident identity or passport) and to come early before time of meeting in order to complete registration procedures.



## **Thanks and Appreciation**

Finally, the board of directors is glad to send all thanks and appreciation to the Custodian of the Two Holy Mosque King Salman Bin Abdulaziz and the Crown Prince Mohammed Bin Salman Bin Abdulaziz Al-Saud, Vice-Prime Minister, Minister of Defense, and for our wise government. The board prays asking Allah the Almighty to keep leaders of this country for the best of the nation.

The board of directors also thanks Ministry of Commerce and Investment and Capital Market Authority for their continuous cooperation and support, and to dear's shareholders for their precious support and confidence, and to staffs of the company for their great efforts.

Members of the Board of Directors of

Al-Abdullatif Industrial Investment Company

شركة العبد اللطيف للاستثمار الصناعي Al Abdullatif Industrial Investment Co.

