



شركة زهرة الواحة للتجارة
Zahrat Al Waha for Trading Company

ANNUAL REPORT **2020**





Custodian of the Two Holy Mosques
King Salman bin Abdulaziz Al Saud



His Royal Highness Prince
Mohammed bin Salman bin Abdulaziz Al Saud
Crown Prince, Deputy Prime Minister, and Minister of Defense





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Ahmed Hamoud Al-Thiab

Chairman

“ 2020 It was a challenging year ”

Chairman Insight

Our honorable shareholders, on behalf of myself and on behalf of my fellow board members, I am pleased to share with you the annual report of the Board of Directors of Zahrat Al Waha For Trading Company for the fiscal year ended 122020/31/.

Through this report, all shareholders will have the opportunity to view a summary of what has been accomplished by the company, represented by its board of directors, the committees emanating from it, its executive management, and the work team, during the year 2020.



Whereas the company's board of directors was keen during this year to follow all the regulatory standards in accordance with the relevant regulations in preparing the report, in order to complement the company's policy that it has been pursuing since 2017 - which is the date of registration in the Saudi Stock Exchange. The highest standards of transparency and keenness to follow the best practices of governance in order to facilitate the shareholders and investors to make their decisions easily and easily and based on reports and results issued by the company in accordance with the highest and best standards.

With the grace of Allah and his success, the company has continued its successful march based on the efforts made and evident by the executive management in all its pillars and relied on implementing the plans and directives of the Board of Directors in the face of the effects of the emerging Coronavirus disease (COVID-19) crisis, which affected all economic activities of all countries in the world, and the company is committed to meeting

these challenges. From its proven experience in innovation with regard to processes and products in the manufacture of preforms and plastic bottle caps. At the same time, the company continues to implement all the objectives of the robust transformation program to facilitate the operating model, increase competitiveness, and accelerate growth, while maintaining the highest standards of governance, transparency, risk management, ethics, and core values of the company.

The results of the company's business are not limited to securing a bright future for our company, but also to the active contribution to achieving (Saudi Arabia's Vision 2030) and its ambitious goals, and I assure you of authenticity from myself and the members of the Board of Directors by making this matter a reality.

The coming years will witness our cooperation in developing our business and achieving benefit and profitability by embodying it in all our business, achieving the axes of the company's strategy and achieving our vision of becoming the preferred leader in the manufacture of PET (preforms) and HDPE closure (caps) for bottles.



George Abdul Kareem Moussa

Chief Executive Officer

“

We maintained our market share in the local market and the market External during the year 2020

”

CEO Insight

Our honorable shareholders of Zahrat Al Waha For Trading Company, I am pleased to meet with you through this annual report of Zahrat Al Waha For Trading Company, to present its results and actions during the fiscal year 2020.

I extend my sincere thanks to all stakeholders, including shareholders, customers, executive management, and all employees of the company and the communities in which we work and with it, for their support and efforts that enabled us to confront the difficult crisis resulting from the emerging Coronavirus disease (COVID-19) crisis this year.



“ Profitability ratio
9.55% ”

Over the past years, the measures taken by our business have resulted in positive results represented in making our business activities more flexible and focused, capable of achieving global profitable growth, and adding great value over the coming years. We have established a business of manufacturing of PET (preforms) and HDPE closure (caps) for bottles. In a more focused manner, and more able to take advantage of our large production capabilities, and effective integration, in order to achieve profitable growth globally.

At the present time, there are multiple global economic challenges that pose threats to the global and regional economy, which may affect the near future prospects. Nevertheless, the company will continue to face external and internal challenges and achieve greater increased value for shareholders through continuous transformation efforts, and to achieve this goal, we are launching three basic programs of relevance. A top priority that will increase our competitiveness and enable profitable growth:

First: We will take advantage of advances in global digital transformation technologies to help us become more flexible and competitive, while making sure to make the work of its employees more useful and productive. These programs will aim to improve

the company's commercial capabilities on a large scale in terms of pricing, manufacturing, and chain Supplies, innovation.

Second: We will double focus on the company's assets in export, which will enhance our structural competitiveness by seeking to increase our export share by opening new markets, which aims to improve our financial and operational performance to reach the highest levels.

Third: We will improve our cost and capital performance. As one of the leading companies in the industry, we are witnessing a remarkable improvement in the achieved return. Moreover, enhancing the level of cost and capital expenditures will improve the total revenues when we build new warehouses with large storage areas and with the latest systems. Super-integrated storage at a competitive cost, in parallel we affirmed our commitment to the success of the Kingdom of Saudi Arabia 2030 vision through focused and valuable efforts, benefiting from our experience in the field of business management and innovation. This strong performance to confront the difficult effects of the new Corona virus pandemic for the year 2020 would not have been achieved without the dedicated efforts of our strong multicultural team, I thank all of them for their effective contribution, and I am certain that we will continue to deliver more value than expected for our stakeholders.





Company profile and its activities

Board Members



Ahmed Hammoud Ibrahim Al Theyab
Chairman



Tarek Abdul Rahman Saleh Al Sadhan
Deputy Chairman



George Abdul Kareem George Moussa
Board Member
Chief Executive Officer



Taha Mohammed Abdul Wahid
Board Member



Ahmed Hassan Ahmed Ali
Board Member

Executive Management



George Abdul Kareem George Moussa
Chief Executive Officer
Board Member



Mahmoud Mohammed Zaki Al gamri
Chief Financial Officer
Board Secretary



Rakan Ahmed Hammoud Ibrahim Al Theyab
Supply Chain Director



Abdul Mohsen Nasser Salem Al Gremel
Human Resources Director



Ahmed Hassan Ahmed Ali
Quality Director
Board Member



Sherif Ramadan Youssef Zaqqouq
Production and maintenance Director



Mohammed Abdulaziz Moaajab Alhagabani
Information Technology Director



Yasser Ghanam Arafat Al Khatib
Sales Director

Company profile and its activities

The Headoffice location:

The Kingdom of Saudi Arabia
Riyadh, Al Rabwa, Al Ahsa Street
Unit No. 1 - Building 7449
Postal code: 12814 Extension Number 2980
Tel: +966 920021203
Fax: +966 (11) 211 1703
WEBSITE www.zaoasis.com
E-MAIL info@zaoasis.com

The Branch location (Oasis Flower Plant for Plastic):

The Kingdom of Saudi Arabia
Al Kharj, Riyadh to Al Kharj Road, Exit 7, Al Rafai Industrial Area
Unit No 2 - Building 4070
Postal code: 16352 Extension Number 8362
Tel: +966 920021203
Fax: +966 (11) 5459009

Company's Representatives:

Ahmed Hamoud Ibrahim Al-Thiab
Chairman
ahmed@zaoasis.com

George Abdul Kareem George Moussa
Chief Executive Officer
sm@zaoasis.com

External Auditors:

KPMG Al Fozan & Partners - Certified Public Accountants

The company was established as a sole proprietorship of its owner, Mr. Ahmed Hammoud Ibrahim Al-Thiab, under the name Zahrat Al Waha For Trading firm, according to the Commercial Register No. 1010190390 on 06/10/2003 in the city of Riyadh.

On 27/11/2012, the capital of Zahrat Al Waha For Trading firm was increased to SAR 11,750,000.

On 18/02/2015, the capital of Zahrat Al Waha For Trading firm was increased to SAR 33,375,000.

On 09/12/2015, Zahrat Al Waha For Trading firm and its subsidiaries was transformed into a limited liability company according to the partners' decision confirmed by the notary public number No. 372029 on 19/11/2015, while preserving the name and number of the corporation's commercial register where the company's commercial record was issued on 09/12/2015 with a capital of SAR 50,000,000 divided into 5,000,000 ordinary shares with a par value of SAR 10 per share.

On 01/01/2017, the company converted from a limited liability company to a closed joint stock company and increase the company's capital from SAR 50,000,000 to SAR 80,000,000 divided

into 8,000,000 ordinary shares with a nominal value of SAR 10 per share. Ministerial Resolution No. S / 86 on 27/12/2016 by converted to a closed joint stock company.

On 15/5/2017, the Extraordinary General Assembly of the company agreed to increase the company's capital to SAR 150,000,000, divided into 15,000,000 ordinary shares, with a nominal value of SAR 10 per share.

On 17/09/2017, the subscription process was conducted at the Saudi Capital Market Authority.

On 30/11/2017, Zahrat Al Waha For Trading Company was transformed from a closed joint stock company into a Saudi public joint stock company with a capital of SAR 150,000,000 divided into 15,000,000 ordinary shares with a par value of SAR 10 per share.

The company conducts its business through its factory, which is its main and sole commercial and industrial activity, according to the Sub-Commercial Register No. 1011014061 dated 06/05/2010, in the name of "Oasis Flower Plant for Plastic" located in Al-Kharj Governorate, Riyadh Al-Kharj Road, exit 7, Al-Rafaie District Industrial, through which the manufacture of PET (preforms) and HDPE closure (caps) for bottles.

The companies and subsidiaries of the company are as follows:

Affiliated companies	Capital	Ratio of ownership	Country of work	Country of incorporation
Oasis Flower Plant for Plastic	SAR 150,000,000	100%	Kingdom of Saudi Arabia	Kingdom of Saudi Arabia

The activities the company is authorized to perform under its articles of association are as follows:

1. Manufacturing industries and their branches, according to industrial licenses
2. Construction and Building
3. Money, Business and Other Services
4. Trade
5. Information Technology
6. Electricity, gas and water and its branches
7. Social, group and personal services
8. Transport, storage and refrigeration
9. Agriculture and hunting
10. 10 - Mines, oil and its branches
11. Buying, developing, selling lands, building buildings on them, investing them in rent or sale, developing them, owning, managing and maintaining real estate, building warehouses, maintenance workshops, renting and selling them.
12. Establishing, managing, operating, building and maintaining factories, facilities and projects for printing and packaging in all their types of paper, carton, plastic, metallic and other types, and performing printing and packaging works, and manufacturing covers, labels, wraps and tapes of all kinds.

Company's Vision

Building a new concept in the sector of the manufacture of PET (preforms) and HDPE closure (caps) by providing various products with different sizes and weights at the highest quality and at competitive prices, in addition to meeting all the needs of its partners and customers, and the company seeks to take advantage of its leading position to gain additional market share by expanding in The Kingdom and outside it (the Gulf Cooperation Board countries and the Middle East, North and Central Africa region) by strengthening its position as a preferred partner of the water and juice sector producers as long as achieving the company's vision.

The company also devotes all its resources to diversifying our portfolio, whether to drive sales growth and mitigate the impact of any fluctuation in future demand locally and internationally,

the growth potential extends beyond our primary customers in water mobilization, where we aim for new opportunities in the beverage industry, including beverages, juicy and dairy products.

All this forms a background for allocating our strategic capital, directing our investments and creating long-term value for shareholders.

Company's Insight


Our vision is to become the best company in the sector of the manufacture of PET (preforms) and HDPE closure (caps) throughout the Gulf Cooperation Board countries and the Middle East, North and Central Africa region, by providing a wide range of products at competitive prices, while maintaining the highest levels of quality and customer service.

Efficiency of operation

The company relies on operational processes to use the latest production lines, which are characterized by the latest types of technology in the sector of the manufacture of PET (preforms) and HDPE closure (caps), which are purchased from the best companies in the world in this field, and the company has a team of highly experienced and distinguished competencies in managing the operational process. This helps to operate the lines with the highest operational efficiency and the lowest waste rates, which contributes to production with the lowest operating expenses and the highest quality, which is one of the main objectives of the company.

Governance

The corporate governance regulation means the set of rules by which the company is managed, directed, and controlled. The corporate governance structure defines the distribution of rights and duties "responsibilities" among the various participants in the company, such as the board of directors, the executive management, the shareholders, and the stakeholders. The corporate governance regulation defines the rules and procedures for taking decisions in the various affairs and business of the company, and the structure through which goals are set and determine the means and methods of achieving them, as well as monitoring performance.



This regulation aims to optimize the investment of the company's resources by creating a work environment based on responsibility, control and commitment, and its pillar is clarity and transparency, whether in defining the company's objectives and its commercial and strategic plans, or in defining the rights and obligations of each of its entities, or in managing its relationship with suppliers, financiers, consumers, and control points and on activity You are working on. This environment interacts with the system of national legislation within which the company operates and integrates with it to protect the company from any breach or infringement, and to set legal rules that establish principles of fairness, integrity, and transparency in the company's dealings.

These regulations have been prepared based on the Companies Law issued by Royal Decree No. (M/3) on 1/28/1437 AH corresponding to 11/10/2015, as amended by Resolution of the Board of the Capital Market Authority on 7/1/1441 AH corresponding to 02/25/2020 and the Governance Regulations Companies has been issued by the Board of the Capital Market Authority under Resolution No. (8-16-2017) on 5/16/1438 AH corresponding to 2/13/2017 amended by Resolution of the Capital Market Authority Board No. (3-57-2019) dated 9/15/1440 AH corresponding to 5/20/2019 and the Company's Articles of Association has been approved by The General Assembly of the company on 9/14/1440 AH, corresponding to 5/19/2019.





Operational summary

Operational summary

During the year 2020, the Coronavirus disease (COVID-19) crisis swept the world, which had a clear impact on the local and global economy, and despite the great challenge resulting from the effects of the emerging Coronavirus disease (COVID-19) crisis, the company's management was able to efficiently manage these effects through several measures, which took advantage of the decline in sales demand during the quarter. The second is 2020. The company's management provided the date for periodic maintenance from December to May 2020 in order to maintain the operational efficiency of the production lines. The company's management also aimed to operate all production lines at the highest levels of efficiency to reduce the impact of fixed costs. The company's management also worked on building a strategic stock during Periods of decline in sales demand to meet the expected future increase in sales during future periods, as the company's management took advantage of the efficiency of the work team at all operational, sales and administrative levels in managing all its resources to reduce costs to their lowest levels, as the volume of manufacture of PET (preforms) reached 79.19 thousand Tons, while the volume of production of plastic caps for bottles during the year 2020 was 8.21 thousand tons.

During the year 2020, the company's sales team worked to increase the company's customer base to face the decrease in demand and the decrease in the value of sales that were affected by the effects of the Coronavirus disease (COVID-19) crisis, in order to maintain the amount of sales during the year 2020 compared to the same year 2019, where the amount of sales during the year 2020 amounted to 86.29 thousand tons compared to 87.07 thousand Tons during 2019, which contributed to reducing the impact of the decline in the value of sales on the profitability of the year to the least.

The company's competitive advantages

Zahrat Al Waha For Trading Company has many competitive advantages in front of its existing and potential competitors, which contribute to making it the leading company in its sector, which was evident during its management of the surrounding economic conditions and its exploitation to reduce the effects of the Coronavirus pandemic during the year 2020, and we can conclude the most important of these factors as follows:

Meet customer needs with flexibility and Quickly.

Zahrat Al-Waha For Trading Company has the competitiveness in meeting the different needs of customers with flexibility in meeting the different requirements of customers, and this is

crystallized in its manufacture of PET (preforms) and HDPE closure (caps) for short and long neck bottles with different weights, sizes and colors, thanks to their use of the latest technical mechanisms and their high production capacity and managing operational costs and reducing them to the lowest possible levels.

Development manufacturing technology

The sophisticated factory owned by Zahrat Al Waha For Trading Company, where the use of advanced machinery and technologies, enables the design and production of a variety of products with high efficiency to meet the changing demand of customers with the highest quality.

Zahrat Al-Waha For Trading Company owns seventeen (17) lines for the manufacture of PET (preforms) and eight (8) lines for the manufacture of HDPE closure (caps) with the latest technologies, which are purchased from Heskey Company, which is a world leader in the sector of manufacture of PET (preforms) and HDPE closure (caps).

Logistics and operational efficiency

The factory is located in the Al-Kharj region in the central region of the Kingdom of Saudi Arabia, and Zahrat Al-Waha For Trading Company benefits from excellent and fast communication capabilities with all customers in all parts of the Kingdom, and the company has a central warehouse with an area of 37 thousand square meters, which will be operated with the latest automatic and contracted storage systems With the Italian Electric Company 80 specialized in storage systems and automatic product circulation, which contributes to the optimum utilization of warehouse space, which is reflected in the increase in storage capacity and optimized utilization of production capacity throughout the year, especially the non-seasonal periods to meet the increase in demand, and it will also contribute to logistical operations, which It will have the effect of reducing the combination, speed and accuracy of stock circulation, and reducing the number of warehouse workers.

The company also contracts with many transport companies, which enable it to meet the demands of all customers in all parts of the Kingdom and abroad in the fastest time and in the required quantities on the specified dates in accordance with the schedule of customer needs.



Inventory turnover

1: 5.80



The stock balance increase percentage by

78.57%



An experienced staff

Most members of the management team of Zahrat Al Waha For Trading Company work for the company since its inception, and all the work team has extensive experience both in its field where products are marketed, sold and promoted through a work team with extensive experience and well-versed in the local and external market, business dynamics and has a proven track record. One of the successes in this field, which was clear from his management of the sales movement during the year 2020 which is full of challenges from the effects of the emerging Coronavirus disease (COVID-19) crisis, as it has a work team with extensive experience in stock

management and logistical business, and the operational sector team has operating experience and experience dealing with Hesky machines. Which needs to be run in distinctive experiences and competencies and on the financial team that has the experience of managing the financial resources and financial flows of the company with high efficiency and experience, which was clearly demonstrated by his management of the borrowing process and reducing financing costs for the same year 2019, and the senior management has experience of managing short and long-term expansion plans. Extensive experience in the sector of manufacture of PET (preforms) and HDPE closure (caps).







The historical growth of the most important financial indicators

The historical growth of the most important financial indicators

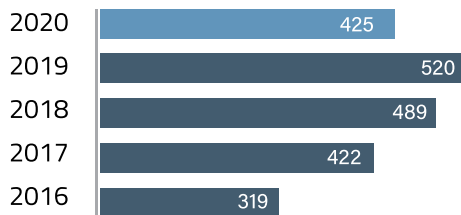


Financial Leverage Ratio

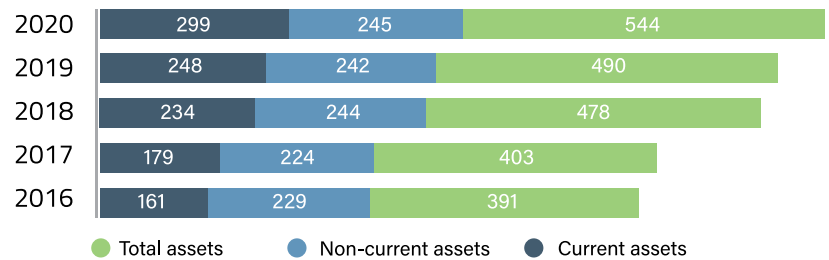
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Revenues (Millions Saudi Riyal)



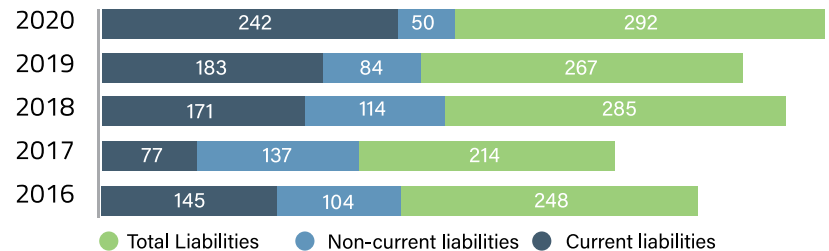
Assets (Millions Saudi Riyal)



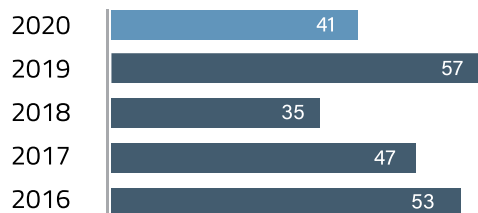
Operational Profit (Millions Saudi Riyal)



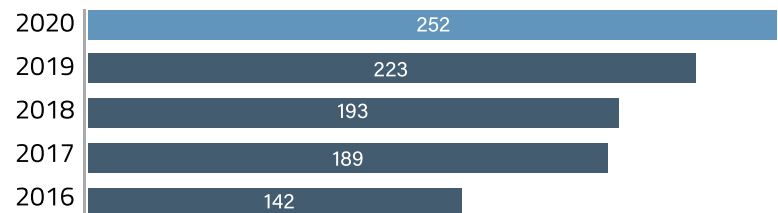
Liabilities (Millions Saudi Riyal)



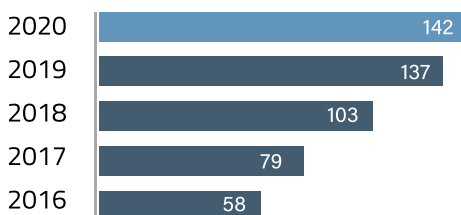
Net Profit/Loss (Millions Saudi Riyal)



Shareholders Equity (Millions Saudi Riyal)



Customers' Base



Earnings before interest Taxes, depreciation and amortization

86.17 million riyals

Compound annual growth rate by

29.54%

”

1. cash flows

The company has achieved a net change in cash and cash equivalents amounted to SAR (15.57) million as a result of changes in the items of the statement of cash flows, as follows:



Current Debt Change Ratio

1:0.37



Table (1): Changes in cash flows

Description	2020	2019
Cash flow generated used in / generated from operating activities	47,327,803	79,451,914
Cash flows used in investing activities	(55,146,485)	(21,624,859)
Cash flows used in / generated from financing activities	(7,752,679)	(49,070,923)
Net change in cash balances and cash equivalents	(15,571,361)	8,756,132

The company's cash flows during 2020 from 2019 were significantly affected by the cash flows resulting from operating activities affected by the net profit, changing in trade receivables, and changing in inventory. as cash flows from operating activities during 2020 amounted to SAR 47.33 million compared to SAR 79.45 million in 2019.

2. Significant differences of operating results

During the year 2020, the company had many changes in the operational results, which were directly and indirectly affected by the emerging Coronavirus disease (COVID-19) crisis, which invaded the world during 2020, and as a result of the company's management of these effects in good ways, which reduced the impact to the lowest levels of influence as follows:

a. The main differences of revenue and gross profit:

Table (2): the main differences of revenue and gross profit:

Description	2020	2019	Differences	
			Net	Ratios
Revenue	424,850,419	519,757,535	(94,907,116)	(18.26) %
Cost of revenue	350,665,072	431,297,189	(80,632,117)	(18.70) %
Gross Profit	74,185,347	88,460,346	(14,274,999)	(16.14) %

The total profit for the year 2020 amounted to 74.19 million riyals, a decrease of 14.27 million riyals compared to the same year 2019, affected by the decrease in the company's sales by 18.26% compared to the same year 2019, affected by the emergence of the Coronavirus disease (COVID-19) crisis, which affected the decline in oil prices and consequently the decrease in the prices of main raw materials, which mainly affected Sales value is negative, as the amount of sales of miniature PET (preforms) and HDPE closure (caps) during the year 2020 amounted to 86.29 thousand tons compared to 87.07 thousand tons in sales of 2019, with a decrease of 18.26% in the value of sales, while the amount of sales decreased by 0.9% for the year of 2020 compared to sales in 2019, as the



Compound annual growth rate for the gross profit

% 24.86



expenses were well managed. Operating and optimizing the production capacity available to the company during the year 2020, which led to reducing the impact of the need for the emerging Coronavirus disease (COVID-19) crisis to its lowest levels.

b. The main differences of the operating profit results:

Table (3): the main differences of the results of the operating profit:

Description	2020	2019	Differences	
			Net	Ratios
Gross Profit	74,185,347	88,460,346	(14,274,999)	(16.14)%
Selling and marketing expenses	(9,285,654)	(8,774,604)	511,050	5.82%
General and administration expenses	(7,191,665)	(7,139,962)	51,703	0.72%
Other operation expenses/income (Net)	(523,471)	852,507	(1,375,978)	(161.40)%
Operation Profit	57,184,557	73,398,287	(16,213,730)	(22.09)%

The effect of the operating profit for the year 2020 compared to the operating profit for the same year 2019, where the operating profit decreased by 22.09% due to the decrease in the gross profit which decreased by 16.14%, while the percentage of increase in selling and marketing expenses by 5.82% and other operation expenses/income by 161.40%.



**Compound annual growth
rate for operating profit
13.24%**

c. The main differences of the net profit for the year

Table (3): the main differences of the results of the operating profit:

Description	2020	2019	Differences	
			Net	Ratios
Operation Profit	57,184,557	73,398,287	(16,213,730)	(22.09)%
Net losses of Investments at fair value through profit or loss	(369,754)	-	(369,754)	(100.00)%
Finance income	-	-	-	-
Finance expenses	(9,886,763)	(13,274,151)	(3,387,388)	(25.52) %
Zakat expense and value added tax	(6,355,586)	(3,488,308)	2,867,278	82.20%
Net profit for the year	40,572,454	56,635,828	(16,063,374)	(28.36)%

The net profit for the year 2020 decreased by 28.36% from the net profit for the same year 2019 affected by the decrease in operating profit with the increase in zakat expenses due to the payment of the Zakat assessment difference for the years from 2016 till 2018, while the decrease in the operating profit with the decrease in financing costs for the year 2020 compared to the compared year 2019 by 25.52% due to the decrease in loans which have been obtained by the company during the year 2020 compared to what was obtained during the year 2019.



**Compound annual growth
rate for net losses and profits
2.97%**

3. Earing per share for the year

Table (5): Earing per share for the year:

Description	2020	2019	Differences	
			Net	Ratios
Earning per share	2.70	3.78	(1.07)	(28.31)%

Earnings per share for the year 2020 decreased by 28.31% compared to the earning per share for the same year 2019, due to the decrease in net profit, which decreased by 28.31%.

4. The Murabaha and loans



Debt to total assets ratio

1:0.46



a. Short term Murabaha and loans

Table (6): Short term Murabaha and loans:

No.	Lender	Classification of loan	Loan value	Loan period	Payments during the year	Loan balance at yearend	Guarantees against loan
1	Alawwal bank	Short term loan	21,879,791	-	21,879,791	-	PO by the Company
2	Alawwal bank	Short term loan	23,426,682	-	23,426,682	-	PO by the Company
3	British Saudi Bank	Short term loan	17,616,775	-	17,616,775	-	PO by the Company
4	The Saudi Investment Bank	Short term loan	5,605,094	-	5,605,094	-	PO by the Company
5	The Saudi Investment Bank	Short term loan	39,155,874	-	39,155,874	-	PO by the Company
6	The Saudi Investment Bank	Short term loan	30,965,532	Month	26,028,404	4,937,128	PO by the Company
7	The Saudi Investment Bank	Short term loan	27,535,378	4 Months	7,356	27,528,022	PO by the Company
8	Arab national Bank	Short term loan	29,179,274	-	29,179,274	-	PO by the Company
9	Arab national Bank	Short term loan	32,272,947	-	32,272,947	-	PO by the Company
10	Arab national Bank	Short term loan	3,261,801	-	3,261,801	-	PO by the Company
11	Arab national Bank	Short term loan	48,667,046	Month	30,648,984	18,018,062	PO by the Company
12	Arab national Bank	Short term loan	2,335,722	Month	-	2,335,722	PO by the Company
13	Arab national Bank	Short term loan	13,665,936	2 Months	-	13,665,936	PO by the Company
14	Arab national Bank	Short term loan	6,054,828	4 Months	-	6,054,828	PO by the Company
15	Industrial Development Fund	Short term loan	33,500,000	6 Months	-	33,500,000	PO by the Company
16	Alinma Bank	Short term loan	3,816,007	-	3,816,007	-	PO by the Company
17	Alinma Bank	Short term loan	1,729,439	-	1,729,439	-	PO by the Company
18	Alinma Bank	Short term loan	14,167,897	-	14,167,897	-	PO by the Company
19	Alinma Bank	Short term loan	22,496,735	2 Months	-	22,496,735	PO by the Company
20	Alinma Bank	Short term loan	34,498,316	6 Months	-	34,498,316	PO by the Company
21	Alinma Bank	Short term loan	53,797,460	-	53,797,460	-	PO by the Company

The balance of short-term loans that are used in financing the working capital on December 31, 2020, increased from the balance of loans on December 31, 2019, by 48.89 million riyals, by 43.20%, due to the increase in purchases of raw materials, especially during the fourth quarter, as part of the company's plan to build a strategic stock to meet the expected demands during 2021.

b. Long term Murabaha and loans

Table (7): Long term Murabaha and loans:

No.	Lender	Classification of loan	Loan value	Loan period	Payments during the year	Loan balance at yearend	Guarantees against loan
1	Arab national Bank	Long term loan	295,621	Month	271,561	24,060	PO by the Company
2	Arab national Bank	Long term loan	305,142	Month	280,315	24,827	PO by the Company
3	Arab national Bank	Long term loan	88,601	75 Days	81,369	7,232	PO by the Company
4	Arab national Bank	Long term loan	486,508	12 Months	229,511	256,996	PO by the Company
5	Arab national Bank	Long term loan	579,625	23 Months	191,388	388,238	PO by the Company
6	Arab national Bank	Long term loan	545,999	12 Months	257,304	288,695	PO by the Company
7	Arab national Bank	Long term loan	972,640	12 Months	458,755	513,886	PO by the Company
8	Arab national Bank	Long term loan	1,336,133	12 Months	629,451	706,683	PO by the Company
9	Arab national Bank	Long term loan	356,276	12 Months	167,785	188,491	PO by the Company
10	Arab national Bank	Long term loan	1,750,009	Month	1,594,620	155,390	PO by the Company
11	Arab national Bank	Long term loan	3,238,283	Month	3,225,444	12,839	PO by the Company
12	Arab national Bank	Long term loan	1,028,001	-	1,028,001	-	PO by the Company
13	Arab national Bank	Long term loan	257,225	Month	236,282	20,943	PO by the Company
14	Arab national Bank	Long term loan	693,427	Month	622,423	71,005	PO by the Company
15	Arab national Bank	Long term loan	676,597	Month	565,239	111,358	PO by the Company
16	Arab national Bank	Long term loan	354,369	Month	322,279	32,090	PO by the Company
17	Arab national Bank	Long term loan	2,004,328	23 Months	1,280,531	723,796	PO by the Company
18	Arab national Bank	Long term loan	398,302	Month	365,866	32,435	PO by the Company
19	Arab national Bank	Long term loan	340,313	Month	312,659	27,654	PO by the Company
20	Arab national Bank	Long term loan	675,363	Month	620,367	54,996	PO by the Company
21	Arab national Bank	Long term loan	488,089	Month	448,568	39,522	PO by the Company
22	Arab national Bank	Long term loan	2,535,680	23 Months	839,835	1,695,845	PO by the Company
23	Arab national Bank	Long term loan	2,177,312	23 Months	718,274	1,459,037	PO by the Company
24	Arab national Bank	Long term loan	1,672,119	23 Months	555,331	1,116,788	PO by the Company
25	Arab national Bank	Long term loan	1,614,107	23 Months	537,572	1,076,535	PO by the Company
26	Arab national Bank	Long term loan	7,143,581	23 Months	2,356,997	4,786,584	PO by the Company
27	Arab national Bank	Long term loan	283,013	Month	260,036	22,976	PO by the Company
28	Arab national Bank	Long term loan	4,332,690	23 Months	1,427,549	2,905,141	PO by the Company
29	Arab national Bank	Long term loan	948,637	23 Months	313,332	635,305	PO by the Company
30	Arab national Bank	Long term loan	1,600,146	23 Months	529,633	1,070,512	PO by the Company
31	The Saudi Investment Bank	Long term loan	10,007,207	20 Months	3,788,346	6,218,861	PO by the Company
32	The Saudi Investment Bank	Long term loan	1,211,176	19 Months	457,346	753,830	PO by the Company
33	The Saudi Investment Bank	Long term loan	1,694,534	24 Months	594,194	1,100,340	PO by the Company
34	The Saudi Investment Bank	Long term loan	1,263,003	29 Months	224,319	1,038,684	PO by the Company
35	The Saudi Investment Bank	Long term loan	3,073,393	30 Months	538,641	2,534,752	PO by the Company
36	The Saudi Investment Bank	Long term loan	662,916	30 Months	58,977	603,939	PO by the Company
37	Alinma Bank	Long term loan	1,543,077	6 Months	1,042,426	500,651	PO by the Company
38	Alinma Bank	Long term loan	4,177,185	8 Months	2,556,510	1,620,675	PO by the Company
39	Alinma Bank	Long term loan	1,808,806	-	1,808,806	-	PO by the Company
40	Alinma Bank	Long term loan	5,254,665	-	5,254,665	-	PO by the Company
41	Industrial Development Fund	Long term loan	76,016,000	27 Months	19,386,000	56,630,000	PO by the Company

The balance of long-term loans on December 31, 2020, reached 87.90 million riyals, while the balance of long-term loans on December 31, 2019 was 128.79 million riyals, a decrease of 31.75% due to the repayments of long-term loans without obtaining long-term loans during the year 2020 and the company's approval of financing Capital expansions during the year 2020 against self-financing by the company.

5. Operating segment

The operational sectors of Zahrat Al-Waha Trading are represented in the sectors of PET (preforms) and HDPE closure (caps):

▪ PET (preforms) income segment

Table (8): PET (preforms) income segment.

Description	2020	2019	Differences
PET (preforms) income segment	352,403,119	442,757,824	(20.41) %
Sales by Pieces	6,042,254,384	6,147,324,024	(1.71) %
Sales by Ton	77,441	78,642	(1.53) %

While the percentage of decrease in the sales value of the preforms sector was 20.41%, the percentage decrease in the amount of sales in tons was 1.53%, as the sales value was affected by the decrease in the prices of raw materials due to the decrease in oil prices which the cost of raw materials is a major element in determining the selling prices in this Sector.

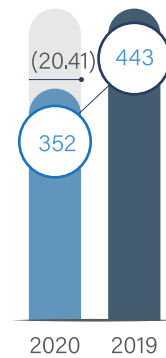
▪ HDPE closure (caps) income segment

Table (9): HDPE closure (caps) income segment

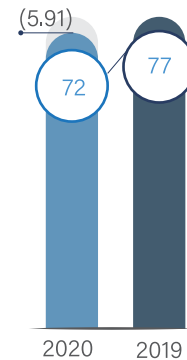
Description	2020	2019	Differences
HDPE closure (caps) income segment	72,447,300	76,999,711	(5.91) %
Sales by Pieces	5,729,674,500	5,427,428,500	4.70%
Sales by Ton	8,849	8,426	5.02%

While the percentage of decrease in the sales value HDPE closure (caps) sector was 5.91%, the percentage increase in the amount of sales in tons was 5.02%, as the sales value was affected by the decrease in raw material prices due to the decrease in oil prices which the cost of raw materials is a major element in determining the selling prices in this sector.

Plastic bottles (preforms) income segment (Millions, Saudi Riyal)



Plastic caps income segment (Millions, Saudi Riyal)



Geographical analysis of the company's main activities

Table (10): Geographical analysis of the company's main activities:

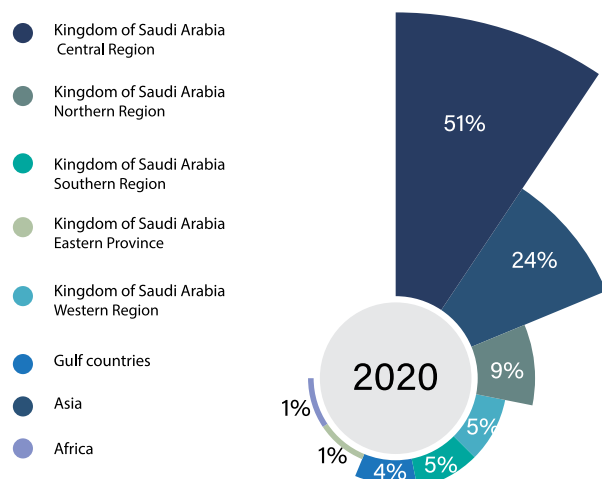
Revenues per countries	2020			2019		
	Sales (units)	Sales (Ton)	Sales (Value)	Sales (units)	Sales (Ton)	Sales (Value)
Gulf countries	450,231,648	2,886	15,382,351	380,991,952	2,441	15,380,312
Asia	2,264,513,408	23,507	103,214,506	1,821,759,216	19,654	106,501,658
Africa	47,933,056	568	3,087,224	21,768,112	296	1,819,267
Kingdom of Saudi Arabia - Central Region	5,807,324,292	43,143	216,436,656	6,004,778,544	46,156	278,331,938
Kingdom of Saudi Arabia - Northern Region	1,303,515,008	7,138	38,321,657	1,579,385,852	10,687	65,794,584
Kingdom of Saudi Arabia - Southern Region	633,143,560	3,997	20,650,536	590,038,256	3,098	19,734,393
Kingdom of Saudi Arabia - Eastern Province	155,960,752	996	5,153,756	42,276,064	296	1,847,667
Kingdom of Saudi Arabia - Western Region	1,109,307,160	4,055	22,603,733	1,133,754,528	4,441	30,347,716
Total revenues	11,771,928,884	86,290	424,850,419	11,574,752,524	87,069	519,757,535

Table (11): Geographical analysis per countries:

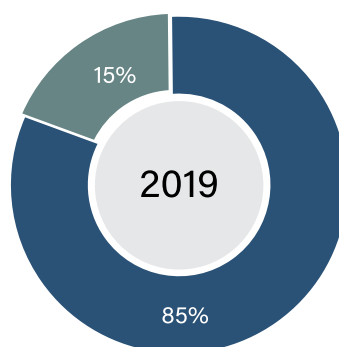
Revenues per countries	2020	2019
Kingdom of Saudi Arabia	303,166,337	396,056,298
Yemen	103,161,707	106,313,178
Amman	7,194,097	9,184,124
Bahrain	6,073,336	5,040,904
Sudan	3,087,224	1,819,267
Kuwait	2,114,918	1,155,284
Jordan	52,800	188,480
Total	424,850,419	519,757,535

While the value of sales in the local market decreased, the company worked to maintain the value of sales in the external market by working to preserve the value of sales in the market of the State of Yemen, which is the main market in the external market, while working to increase foreign sales to the market of the State of Bahrain, the market of the State of Sudan and the market Kuwait.

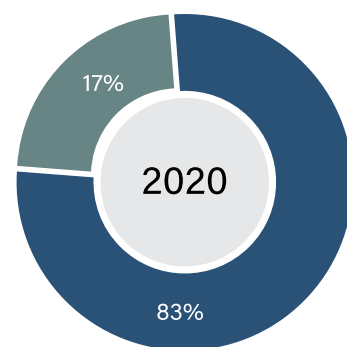
Geographical analysis of the company
main activities



Segment Shares of total revenues for
2019



Segment shares of total revenues for
2020



▪ Subsidiaries and equity investments (if any)

Table (12): Subsidiaries:

The Company's name	Establishment country	Equity %	Total Capital (SAR)	Main activities
None				

Table (13): Equity method investments:

The Company's name	Establishment country	Equity %	Total Capital (SAR)	Main activities
None				







Board of Directors and Governance

1. Board of directors, committees and management

A. A board of directors

According to the articles of association of the company, Chapter Three (The Board of Directors), Article Seventeen (17) The company is managed by a board of directors consisting of six members appointed by the General Assembly for a period not exceeding three years, and the term of the first board of directors begins from the date of the issuance of the ministerial decision to convert the company for a period of five years.

The first board of directors has been appointed in accordance with Ministerial Decision No. 86 of 27/12/2016 and the decision of the General Assembly to Convert on 26/12/2016 till 26/12/2021.

The company's board of directors sets a bylaw of the board of directors, considering the formation of the board and the conditions for appointment and membership. The following should be taken into consideration in the formation of the Board of Directors:

1. The number of its members is proportional to the size of the company and the nature of its activity, without prejudice to what is stated in Paragraph (a) of Article 17 of the Company's Governance Regulations.
2. The majority of him shall be non-executive members.
3. That the number of its independent members is not less than two members or less than one-third of the members of the Board, whichever is more.

The responsibility of the board of directors shall be as stipulated in the relevant laws and regulations:

- a. The board of directors represents all shareholders, and it must exercise its duty of care and loyalty in managing the company, and everything that would safeguard its interests, develop, and maximize its value.
- b. B. The company's board of directors is responsible for its business even if it delegates to committees, entities, or individuals, to exercise some of its functions.
- c. The Board of Directors is responsible for managing the company and providing effective leadership to oversee the management of Zahrat Al Waha For Trading Company's business to achieve the company's set goals in order for its value to grow in a profitable and continuous manner.
- d. The Board of Directors carries out its responsibilities in light of the provisions regulating this and stipulated in the Companies Law, the Corporate Governance Regulations, the regulatory

controls, and procedures issued in implementation of the Companies Law for listed joint stock companies, the Company's Articles of Association, and the Corporate Governance Regulations, including the following:

First: General policies and procedures

Second: The strategic plans and main objectives of the company

Third: Internal Control Systems

Fourth: The responsibilities of the board of directors towards shareholders

B. Board of Directors' authority

With consideration of the General Assembly, the board of directors shall have the widest authority in managing of the company, including taking decisions, concluding contracts and agreements, and undertaking all other actions necessary to achieve the objectives of the company. According to its articles of association, provided that these actions are not within the competence of the general assemblies of shareholders in accordance with the company's articles of association and the companies' system.

The board of directors represents all shareholders, and it must exercise its duty of care and loyalty in managing the company, and everything that would safeguard its interests, develop, and maximize its value.

The final responsibility for the company remains with the board even if it forms committees or delegates other bodies or individuals to carry out some of its work, and in all cases the board of directors may not issue a general or unlimited term mandate.

C. The Board of Directors exercises the following tasks:

With consideration of the General Assembly in the Companies Law, its implementing regulations, and the company's articles of association, the board of directors shall have the broadest authority in managing the company and directing its work to achieve its objectives as follows:

1. Developing the company's main plans, policies, strategies, and objectives, supervising their implementation, and reviewing them periodically, and ensuring the availability of the human and financial resources necessary to achieve them, including:
 - a. Developing, reviewing, and directing the overall company strategy, main business plans, and policies and procedures for risk management and corporate governance.
 - b. Determining the optimal capital structure for the company, its strategies, and financial objectives, and approving all kinds of estimated budgets.
 - c. Overseeing the company's major capital expenditures and owning



- and disposing of assets.
- d. Set performance goals and monitor implementation and overall performance in the company.
- e. Periodic review and approval of the organizational and functional structures in the company.
- f. Verify the availability of the human and financial resources necessary to achieve the company's objectives and main plans.
- 2. Establishing systems and controls for internal control and general supervision thereof, including:
 - a. Developing a written policy to address actual and potential conflicts of interest for each of the board members, executive management, and shareholders, including misuse of company assets and facilities, and misconduct resulting from dealings with related parties.
 - b. Ensuring the integrity of the financial and accounting systems, including the systems related to the preparation of financial reports.
 - c. Ensure that appropriate control systems are in place to measure and manage risks; By developing a general perception of the risks that the company may face, creating an environment familiar with the culture of risk management at the company level, and presenting it in a transparent manner with the stakeholders and related parties of the company.
 - d. Annual review of the effectiveness of internal control procedures in the company.
- 3. Preparing clear and specific policies, standards, and procedures for membership in the Board of Directors - in a manner that does not contradict the mandatory provisions in these regulations - and put them into effect after the approval of the General Assembly.
- 4. Establishing a written policy that organizes the relationship with stakeholders in accordance with the provisions of this bylaw.
- 5. Establishing policies and procedures that ensure the company's compliance with laws and regulations and its commitment to disclosing essential information to shareholders and stakeholders and verifying the executive management's compliance with them.
- 6. Overseeing the management of the company's finances, cash flows, and its financial and credit relationships with others.
- 7. To suggest to the Extraordinary General Assembly what it deems appropriate regarding the following:
 - a. Increase or decrease the company's capital.
 - b. Dissolving the company before the term specified in the company's articles of association or deciding its continuation.
- 8. To suggest to the General Assembly what it deems appropriate regarding the following:
 - a. Use of the company's agreement reserve in the event that it is formed by the Extraordinary General Assembly and not

- allocated for a specific purpose.
- b. Create additional financial reserves or allocations for the company.
- c. The method of distributing the net profits of the company.
- 9. Preparing the initial and annual financial statements of the company and approving them before publication.
- 10. Preparing the report of the Board of Directors and approving it before publication.
- 11. Ensure the accuracy and integrity of the data and information that must be disclosed, in accordance with the applicable policies and systems of disclosure and transparency.
- 12. Establishing effective communication channels that allow shareholders to have continuous and periodic access to the various aspects of the company's activities and any substantial developments.
- 13. Forming specialized committees emanating from it by decisions specifying the committee's term, authority, and responsibilities, and how the board will monitor them, provided that the formation decision includes naming members and specifying their duties, rights, and duties, along with evaluating the performance and work of these committees and their members.
- 14. Determine the types of remunerations that are granted to employees of the company, such as fixed bonuses, bonuses related to performance, and bonuses in the form of shares, in a manner that does not contradict with the regulatory controls and procedures issued in implementation of the Companies Law for listed joint stock companies.
- 15. Establishing values and standards that govern work in the company.

D. The responsibilities of the Board of Directors are as follows:

- 1. Taking into consideration the terms of reference of the general assembly, the board of directors of the company assumes all the authority and authorities necessary to manage it.
- 2. The responsibilities of the board of directors must be clearly defined in the company's articles of association.
- 3. The board of directors must perform its duties responsibly, in good faith, seriousness and concern, and that its decisions are based on adequate information from the executive management, or any other reliable source.
- 4. A member of the board of directors represents all the shareholders, and he must commit himself to doing what is in the interest of the company in general, and not in the interests of the group that he represents, or that voted for his appointment to the board of directors.
- 5. The Board of Directors defines the authority that it delegates to the Executive Management, the decision-making procedures, and the duration of the delegation. It also defines the topics that it maintains the authority to decide on, and the Executive Management submits periodic reports on its exercise of the delegated authority.
- 6. The board of directors must ensure that procedures are in place to familiarize the new members of the board with the company's business, especially the financial and legal aspects, as well as training them if necessary.
- 7. The board of directors must ensure that the company provides

adequate information about its affairs to all members of the board of directors in general, and to non-executive board members in particular, in order to enable them to carry out their duties and duties.

8. The Board of Directors is not permitted to contract loans with maturities of more than three years, to sell or mortgage the company's properties, or to absolve the company's debtors from their obligations unless it is permitted to do so in the Company's Articles of Association and the terms stipulated therein. If the company's statute does not contain provisions in this regard, the board is not permitted to undertake the aforementioned actions without permission from the general assembly, unless those acts are inherently within the company's objectives.
9. Each member of the Board of Directors, the executive management and the employees of the company must exercise my duty of care and loyalty towards the company, and everything that is responsible for safeguarding the interests of the company, its development and maximizing its value, and presenting its interests to his own interest.
10. A member of the board of directors represents all the shareholders of the company and is committed to what is in the interest of the company and the interest of the shareholders and considers the rights of other stakeholders, not only the interest of the group that elected him.
11. The members of the board of directors and their chief executives shall abide by all relevant laws, regulations, and instructions.
12. A member of the board of directors or a member of the executive management shall not exploit his job position for the purpose of achieving his own interest or another.
13. The use of the company's assets and resources must be limited to the achievement of the company's objectives and goals, and not to exploit those assets or resources to achieve private interests.
14. The Board of Directors shall set accurate, concise, and clear rules that regulate the authority and timing of access to the internal information of the company in a manner that prevents members of the Board of Directors, the Executive Management, and others from benefiting from it or disclosing it to any person except in the confinement system.

E. Tasks and duties of the members of the board of directors:

Each member of the Board of Directors - through his membership in the Board of Directors - performs the following tasks and duties:

1. Submit proposals to develop the company's strategy.
2. Monitor the performance of the executive management and the extent to which it has achieved the company's goals and objectives.
3. Review reports on the company's performance.
4. Verify the integrity and integrity of the company's financial statements and information.
5. Verify that the company's financial control and risk management systems are strong.
6. Determine the appropriate levels of remuneration for members of the executive management.

7. Express an opinion on appointing and dismissing members of the executive management.
8. Participate in developing a succession and replacement plan for the company's executive positions.
9. Fully adhere to the provisions of the Companies Law, the Financial Market Law, their implementing regulations, the relevant regulations, and the Articles of Association when exercising the duties of his membership in the Board, and refrain from doing or participating in any act that constitutes an abuse of the company's affairs.
10. Attending meetings of the Board of Directors and the General Assembly and not being absent from them except for a legitimate excuse to be notified to the Chairman of the Board in advance, or for urgent reasons.
11. Allocating sufficient time to carry out his responsibilities, preparing for meetings of the Board of Directors and its committees and participating in them effectively, including asking relevant questions and discussing with the company's senior executives.
12. Studying and analyzing information related to the topics considered by the Board of Directors before expressing an opinion on them.
13. Enabling other members of the board of directors to express their opinions freely and urging the board to deliberate on issues and survey the opinions of specialists from the executive management members of the company and others if a need arises.
14. Inform the Board of Directors fully and immediately of any interest it has - direct or indirect - in the business and contracts that are made for the company's account, and that reporting includes the nature of that interest, its limits, the names of any persons involved in it, and the benefit expected to be obtained directly or indirectly from That interest, whether that interest is financial or non-financial, and that member must not participate in voting on any decision issued in this regard, in accordance with the provisions of the Companies Law and the Financial Market Law and their implementing regulations.
15. Inform the Board of Directors fully and immediately of its participation - direct or indirect - in any business that is likely to compete with the company, or with its competition with the company - directly or indirectly in one of the branches of the activity it carries out, in accordance with the provisions of the Companies Law, the Financial Market Law and their implementing regulations.
16. Not to broadcast or divulge any secrets that he approved through his membership in the board to any of the company's shareholders - unless this is during the meeting of the general assembly - or to third parties, as required by the provisions of the Companies Law, the Financial Market Law, and their implementing regulations.
17. Acting on the basis of complete information, in good faith, with the necessary care and attention, in the interest of the company and all shareholders.
18. Understand his duties, roles and responsibilities arising from membership.
19. Developing his knowledge in the field of the company's activities and business and in the related financial, commercial, and industrial fields.
20. Resigning from the membership of the board of directors in the event that he is unable to fully fulfill his duties in the board.

F. Functions of the independent member

Subject to Article 30 of these regulations, an independent board member must actively participate in the performance of the following tasks:

1. Expressing independent opinion on strategic issues, company policies, and its performance, and appointing members of the executive management.
2. Verifying that the interests of the company and its shareholders are taken into consideration and presenting them when any conflict of interest arises.
3. Supervising the development of the company's corporate governance rules and monitoring the implementation by the executive management of them.

Table (14): The Names of the members of the Board of Directors (current positions, previous positions, qualifications, and experiences):

No.	Member's name	Current Position	Previous Position	Qualifications	Experiences
1	Ahmed Hammoud Ibrahim Altheyab	Chief Executive Officer and Managing Director at Hana Food Industries Company	Managing Director at Hana Food Industries Company	- Training courses in sales and marketing skills at AUC - Training courses for the development of managers and decision makers Gulf Creativity, -Turki	- Member of Board of Directors at Hana Food Industries Company - General Manager at Hana Food Industries Company - Deputy President at the Chamber of Commerce of Bakria Province - General Manager at Zahrat Al Waha For Trading Company
2	Tarek Abdulrahman Saleh Al Sadhan	Chief Executive Officer at Riyadh Bank	Advisor to the Chairman at the Board of Directors of Saudi Fund for Development	- Bachelor of Accounting - Diploma in International Trade - University of Edinburgh, Scotland - MBA - University ENPC, Paris, France - Member of the American Institute of Licensed Accountants, AICPA - Member of the Institute of Internal Audit, IIA - Member of the Saudi Licensed Public Accountants Authority, SOCPA	-Director General in charge at General Authority for Zakat and Income - Deputy Governor at the Arab Monetary Agency for Oversight of Saudi Arabian Monetary Institution - Chief Executive Officer at KPMG Auditors and Chartered Accountants
3	George Abdelkarim George Moussa	Chief Executive Officer at Zahrat Al-Waha For Trading Company	General Manager of Sales at Zahrat Al-Waha For Trading Company	Bachelor of Marketing and Sales	General Manager of Sales at Al-Othman Plastic Company - Takween
4	Taha Mohammed Abdul Wahid Azhari	Internal Audit Director at Saudi Civil Aviation Holding Company	Chief Financial Officer at Saudi Civil Aviation Holding Company	Bachelor of Accounting	- Chairman of Audit Committee at Hana Food Industries Company - Chairman of Audit Committee at Batic Investments and Logistics Company - Member of the Board of Directors at Batic Investments and Logistics Company - Member of Audit Committee at Zahrat Al Waha For Trading Company - Member of Audit Committee at Al Jazeera Bank - Economic Advisor at National Water Company - Executive Director of Business Excellence at the National Water Company - Chief Financial Officer at National Water Company
5	Abdul Rahman Mohammed Abdul Rahman Al-Zweidi *	Member of Nominations and Remunerations Committee at Saudi Electronic Information Exchange Company	Chief Executive Officer at Med Gulf Insurance and Reinsurance Company	Bachelor of Finance and Banking	- General Manager at Governance of Saudi Investment Bank - Advisor at Saudi Investment Bank - General Manager, Corporate Banking Group at Al Rajhi Bank - Director of Corporate Banking Group at National Commercial Bank
6	Ahmed Hassan Ahmed Ali	Quality Control Director at Zahrat Al Waha For Trading Company	Quality Control Director at Takween Advanced Industries Company	- Bachelor of Chemistry - Diploma in Analytical Chemistry	-

(*) Member of the Board of Directors Mr. Abdul Rahman Muhammad Abdul Rahman Al-Zuwaidi resigned from the membership of the Board from the date of March 15, 2020.

G. Composition of the Board of Directors and classification of its members as follows:

Table (15): Composition of the Board of Directors and classification of its members:

No.	Member's name	Position	Classification
1	Ahmed Hammoud Ibrahim Altheyab	Board Chairman	Non-Executive
2	Tarek Abdulrahman Saleh Al Sadhan	Board Vice Chairman	Independent
3	George Abdulkarim George Moussa	Board Member and CEO	Executive
4	Taha Mohammed Abdul Wahid Azhari	Board Member	Independent
5	Abdulrahman Mohammed Abdulrahman Al-Zweidi	Board Member	Independent (resigned from the membership of the Board from the date of March 15, 2020)
6	Ahmed Hassan Ahmed Ali	Board Member	Executive

(*) Member of the Board of Directors Mr. Abdul Rahman Muhammad Abdul Rahman Al-Zuwaidi resigned from the membership of the Board from the date of March 15, 2020.

H. Board meetings

The Board of Directors meets at least four times a year, with no less than one meeting every three months.

Table (16): Record of attending Board of Directors meetings for the year 2020 and the total number of (5) meetings:

No.	Member's name	Number of meetings (5)					Total	Attendance Ratios
		First 28/1/2020	Second 26/2/2020	Third 23/4/2020	Fourth 23/7/2020	Fifth 21/10/2020		
1	Ahmed Hammoud Ibrahim Altheyab	✓	✓	✓	✓	✓	5	100%
2	Tarek Abdulrahman Saleh Al Sadhan	✓	✓	✓	✓	✓	5	100%
3	George Abdulkarim George Moussa	✓	✓	✓	✓	✓	5	100%
4	Taha Mohammed Abdul Wahid Azhari	✓	✓	✓	✓	✓	5	100%
5	Abdulrahman Mohammed Abdulrahman Al-Zweidi	✓	✓	●	●	●	2	40%
6	Ahmed Hassan Ahmed Ali	✓	✓	✓	✓	✓	5	100%

✓ Attended ○ Absent ● Resigned

(*) Member of the Board of Directors Mr. Abdul Rahman Muhammad Abdul Rahman Al-Zuwaidi resigned from the membership of the Board from the date of March 15, 2020.

Ownership of the members of the Board of Directors of the company's shares

Table (17): The shares owned by the members of the Board of Directors of the company at the beginning and end of the year 2020 and their percentage of the total number of shares of the company, including the membership shares of the Board:

No.	Member's name	shares owned by the members			
		Number of shares at Beginning of the year 2020	Ratio to total shares	Number of shares at Ending of the year 2020	Ratio to total shares
1	Ahmed Hammoud Ibrahim Altheyab	10,500,000	70%	8,400,000	56%
2	Tarek Abdulrahman Saleh Al Sadhan	--	--	--	--
3	George Abdulkarim George Moussa	--	--	--	--
4	Taha Mohammed Abdul Wahid Azhari	--	--	--	--
5	Abdul Rahman Mohammed Abdul Rahman Al-Zweidi *	--	--	--	--
6	Ahmed Hassan Ahmed Ali	--	--	--	--

(*) Member of the Board of Directors Mr. Abdul Rahman Muhammad Abdul Rahman Al-Zuwaidi resigned from the membership of the Board from the date of March 15, 2020.

The methods have been used by the Board of Directors to evaluate its performance, the performance of its committees and members, and the executive management

According to Article forty-one of the Governance Regulations of Zahrat Al-Waha Trading Company approved by the company's general assembly, which states: "" The Board of Directors - based on the proposal of the Nominations and Remuneration Committee - establishes the necessary mechanisms to annually evaluate the performance of the Board, its members, its committees, and the executive management, through appropriate performance indicators. It is related to the extent to which the strategic objectives of the company are achieved, the quality of risk management, the adequacy of the internal control systems, etc.

A. Responsibilities

- » The Nomination and Remuneration Committee is responsible for preparing and reviewing indicators and tools for evaluating performance and proposing changes it deems appropriate.
- » The Secretary of the Board of Directors is responsible for supporting and supporting the issuance and updating of indicators and tools for performance evaluation, and the development of procedures that help in their implementation.
- » Submission to the Board of Directors for approval.
- » The Secretary of the Board of Directors and the executive management in the company is responsible for implementing the indicators and tools for performance evaluation.

B. The methods have been used by the Board of Directors to evaluate its performance, the performance of its committees and members, and the executive management.

The Board of Directors follows various means that enable it to evaluate its performance and the performance of its members and committees, based on the performance measurement indicators adopted in the project of evaluating the performance of members

of the Board of Directors and the sub-committees and the executive management proposed by the Remuneration and Nominations Committee. Its objectives, the extent of the board member's interaction and his ability to present creative and innovative ideas, and the tools included several elements, the most important of which are the following:

1. Performance measurement standards for the Board and its committees
 - » The effectiveness of the discussions of the members of the board and its committees to achieve the company's goals and its strategic plan and its reflection on the topics raised during the year.
 - » The extent to which members of the Board and its committees adhere to the procedures required to be applied in the meetings.
 - » The extent of board committees' commitment to the tasks assigned to them by the board of directors.
 - » The extent of the existence of clear and open communication channels during meetings of the Board of Directors and its committees to present meaningful contributions and decisions.
 - » The extent to which members of the board received a written agenda in advance, and a brief notification about the meeting topics and timing well in advance of the meeting.
 - » The extent of the accuracy of board members in reviewing the annual financial statements, and the extent to which the board monitors cash flow, profitability, revenues, and other financial indicators to ensure that the company is working within the achievement of its approved goals.
 - » The quality of board members in monitoring the company's performance and comparing data related to the field in which the company operates.
 - » The effectiveness of the board members with issues that affect the company in the long term.
 - » The extent of board members' awareness of the difference between the role of the board in preparing policies and the role

of the CEO in managing the company.

- » The role of board members in assisting the CEO in preparing a clear and understandable policy.
- » The extent of the effectiveness of the board in setting up a succession plan for the executive management in the company in case those positions become vacant.

2. Standards for measuring performance for members of the Board of Directors and members of committees.

- » Allocating time to the topics and needs of the company to enable proper decision-making. The extent to which a member of the Board of Directors and committees understands technical matters.
- » Spend sufficient time with the CEO to understand the long-term plans. And the possibility of a member of the board of directors and committees to communicate with the chairman of the board of directors if required, and the extent of his understanding and understanding of the sectors of the company and the field in which it operates.
- » The extent to which a member of the board can express an opinion on the strategy and direction of the company when this becomes necessary.
- » The extent of objectivity of a board member in the face of difficult decisions, and the extent of his ability to express his opinion during the meeting even if the point of view is different from other members of the board.
- » The ability of a board member to collect the necessary information in order for him to be sufficiently informed in case he is absent from attending the meeting.
- » The extent to which a member of the board of directors and committees takes the initiative when it is appropriate to obtain information relevant to the company.
- » The extent to which a board member accepts the participation of other board members and committees, the extent of his ability to present creative and innovative ideas, and the extent of his reservation on the confidentiality of the information he receives.
- » Sufficient level of experience to evaluate long-term strategies, policies, market developments and peculiarities of the field in which the company operates.

3. Performance Measurement Standards for Executive Management (CEO / Senior Executives)

The performance of the CEO and senior executives is evaluated for the purpose of reviewing the strategic and operational goals and their alignment with the functional objectives to be achieved, and determining the objectives that must be developed, periodically according to the following:

- » Strategic planning: It works to ensure the development of a long-term strategy and establishes goals and plans that meet the needs of shareholders, customers, employees, and every stakeholder in the company, and also ensures harmonious and appropriate progress in its timing towards

achieving strategic goals. It also obtains and allocates resources in a manner consistent with the strategic objectives and reports in a regular manner to the CEO / Board of Directors on the progress being made towards the main stages of the strategic plan.

- » Leadership: develops and presents a clear and coherent vision of the company's values and goals, ensuring that it is fully understood and that it finds broad support and effective implementation within the company. It also fosters a corporate culture that encourages, appreciates and rewards leadership, excellence, and innovation, as well as ensures concepts that advance ethical norms, individual integrity and cooperation that establish values.

4. Performance standards

Performance standards are the appropriate practical measure that can be used in all fields and activities without relying on intangible theoretical standards - which differ from one person to another and the same person from one period to another - so it is necessary to choose concrete and consistent practical measures to measure the level of performance of activities and fields, and to ensure that they are running Towards the set strategic goals.

01. Definition of performance criteria:

It is the level of what has been acquired and reached between one measurement point to another and includes a meaning and meaning that can be verified, as any plan needs to be followed up to ensure the correct implementation, and follow-up is part of the evaluation of what has been implemented during the work and the discovery of gaps in order to make the necessary adjustment and measurement by Inspection to discover defects and follow up on the implementation of the plan requires a benchmark comparison, which means that there are two parties to compare one of the other, and then it is necessary to define measurement criteria based on comparison. It also gives an indication of defects and thus provides an opportunity for improvement.

02. Requirements for the application of performance standards:

- a. The necessity of adopting performance measures at the same time that goals are set, and this is the only way in which progress and achievements can be evaluated in a fair and reasonable manner.
- b. The necessity of its association with the goals and strategic measures that have organizational significance and the development of business performance.
- c. It should relate to the goals and responsibilities of teams and individuals and be effective if used through duties and responsibilities.
- d. It is based on measurable results and achievements.
- e. It is based on evidence and data that can be available for measurement.
- f. The possibility of verifying it by providing information that confirms the validity of expectations and measurement results.

- g. To be as accurate as possible according to the availability of data and the purpose of the measurement.
- h. To be a sound basis for feedback and procedures.
- i. To be comprehensive and cover all major aspects of performance so that a set of measures can be provided.
- j. T- That the accounting measurement is the basis of the strategic plan, objectives and processes that have been built.

03. Data and information through which measurement standards can be set:

- a. Financial statements (financial position, income statement, and cash flow statement).
- b. The annual planning budgets.
- c. Cash flows during the period of the strategic plan.
- d. The strategic plan.
- e. Objectives of the sub-plan.
- f. Operations objectives.
- g. Program objectives.
- h. Departmental objectives.
- i. Responsibilities and duties of each job.

5. Review and update performance evaluation indicators and tools

The indicators and tools of performance evaluation are subject to periodic review by the Nominations and Remuneration Committee with the aim of developing and updating them in line with the relevant laws and regulations and in accordance with the opinion of the Nomination and Remuneration Committee

The remuneration of members of the Board of Directors, its sub-committees, and the management.

In the interest of the company's management to raise the effectiveness of governance, and with the aim of achieving a high degree of transparency, achieving the company's objectives, and developing its performance, the company has adopted a policy of remuneration for members of the Board of Directors, the committees emanating from it, and the executive management in the company in accordance with the standards and controls contained in the Companies Law and the Corporate Governance Regulations. And other related laws and regulations.

The remuneration policy for the Board of Directors, the committees emerging from it, and the executive management of the company have been prepared in order to comply with Article (61) of the Corporate Governance Regulations issued by the Board of the Capital Market Authority, which stipulates that the Nominations and Remunerations Committee shall "prepare a clear policy for the remuneration of members of the Board of Directors and the committees emanating from The Board and the Executive Management, and submitting them to the Board of Directors for consideration in preparation for approval by the General Assembly, taking into account in this policy the

following standards related to performance, disclosure of them, and verification of their implementation.

Policy objectives

This policy aims to set clear criteria for remuneration for members of the Board of Directors, its committees, and senior executives in light of the requirements of the companies' system and the rules and regulations of the Capital Market Authority. The policy also aims to attract individuals with a degree of competence, ability, and talent to work in the Board of Directors and the committees emanating from it and the executive management through Adopting plans and programs that stimulate rewards and are linked to performance, which contribute to improving the company's performance and achieving the interests of its shareholders.

Responsibilities

- » The Nominations and Remuneration Committee is responsible for preparing and reviewing the policy and proposing the changes it deems appropriate and submitting it to the Board of Directors for consideration.
- » The Secretary of the Board of Directors is responsible for supporting the Nominations and Remuneration Committee to issue and update this policy, and to develop procedures that help in its implementation.
- » Remuneration policy shall be submitted to the General Assembly for approval.
- » The Financial Department and the Human Resources Department in the Executive Department of the company is responsible for implementing what is stated in this policy under the supervision of the Board of Directors responsible for its implementation.

Remuneration criteria

Without prejudice to the statutory requirements, the company's articles of association, and the requirements of the governance regulation, the remuneration of the members of the Board of Directors, the committees emanating from it, and the executive management are subject to the following standards:

1. Its consistency with the company's strategic plans, long-term and short-term goals, its activities, the sector in which it operates, the skills required to manage it, and the size, nature, and degree of risks of the company.
2. Remuneration is provided for the purpose of inducing members of the board of directors, the committees emanating from it, and the executive management on the long-term success and development of the company, such as linking the variable part of the remuneration to long-term performance.
3. Remuneration should be determined based on the level of the position, the tasks and responsibilities assigned to the occupant, academic qualifications, practical experiences, skills, and level of performance.
4. Taking into consideration the practices of other companies in determining remuneration, while avoiding the unjustified increase in rewards and compensation that may result from that.
5. That it aims to attract, maintain, and motivate professional

competencies, without exaggerating them.

6. To prepare in coordination with the Nomination and Remuneration Committee and the Human Resources Department upon new appointments.
7. Organizing the award of shares in the company to members of the board of directors, the committees emanating from it, and the executive management, whether it is a new issue or shares purchased by the company.
8. That the remuneration be fair and commensurate with the member's competencies, business and responsibilities undertaken by the members of the board of directors, in addition to the goals set by the board of directors to be achieved during the fiscal year.
9. Remuneration should be based on the recommendation of the Nomination and Remuneration Committee.
10. Taking into consideration the sector in which the company operates, its size and the experience of the members of the Board of Directors.
11. That the remuneration is reasonably sufficient to attract, motivate and retain competent and experienced board members.
12. The remuneration of the members of the Board of Directors and the committees emanating from it consist of an annual remuneration (a lump sum), attendance allowances for meetings and other entitlements as explained in this policy.
13. The remuneration of the members of the audit committee is approved by the general assembly and upon the recommendation of the board of directors.
14. A member of the Board of Directors may obtain a remuneration for his membership in the audit committee formed by the General Assembly, or for any business, executive, technical, administrative or advisory positions - under a professional license - additional to be assigned to the company, in addition to the bonus that can be To obtain it in his capacity as a member of the Board of Directors and in the committees formed by the Board of Directors, in accordance with the Companies Law and the Articles of Association.
15. The remuneration of the members of the Board of Directors may be of varying magnitude to reflect the member's experience, competencies, tasks assigned to him, his independence, the number of sessions he attends, and other considerations.
16. If the audit committee or the body finds that the remuneration paid to any of the members of the board of directors or the executive management is based on incorrect or misleading information that was presented to the general assembly or included in the annual report of the board of directors, then they must be returned to the company, and the company has the right to ask him to refund them.

Remuneration of members of the Board of Directors and the committees emanating from it.

1. The remuneration of a member of the Board of Directors and all the benefits that he obtains - if any - shall be as approved

by the General Assembly in accordance with the official decisions and instructions issued in this regard, and within the limits of what is stipulated in the Companies Law and its Regulations.

2. The remuneration of a member of the Board of Directors may be a certain amount, an attendance allowance for sessions, benefits in kind, or a certain percentage of the net profits, and two or more of these benefits may be combined.
3. If the remuneration is a specific percentage of the company's profits, then this percentage may not exceed (10%) of the net profits, after deducting the reserves decided by the General Assembly in implementation of the provisions of the Companies Law and the Company's Articles of Association, and after distributing a profit of no less than (1%) of the paid-up capital of the company, provided that the entitlement to this bonus is proportional to the number of sessions attended by the member, and any estimate to the contrary is void.
4. In all cases, the total remuneration and financial or in-kind benefits and rewards that a member of the Board of Directors gets should not exceed an amount of five hundred thousand riyals annually, according to the controls set by the competent authority.
5. The remuneration of the independent members of the board of directors should not be a percentage of the profits achieved by the company or be based directly or indirectly on the profitability of the company.
6. Pursuant to the previous clauses of this article, the remuneration and benefits of the members of the Board of Directors and the committees emanating from it shall be according to the table below:

1. Board Members:

Allowance to attend one session	SAR 3,000
Remuneration of the independent board member (Deducted Sum)	SAR 100,000
Remuneration of a non-independent board member	SAR 0

Allowance for attending meetings and other allowances is paid annually, while the annual severed bonus is paid after its approval by the General Assembly.

2. Members of the Audit Committee:

Allowance to attend one session	SAR 3,000
Remuneration of the independent committee member (Deducted Sum)	SAR 30,000

Allowance for attending meetings and other allowances is paid annually, while the annual severed bonus is paid.

3. Members of the Nomination and Remuneration Committee:

Allowance to attend one session	SAR 2,000
Remuneration of the independent committee member (Deducted Sum)	SAR 20,000

4. Members of the Risks management Committee:

Allowance to attend one session	SAR 2,000
Remuneration of the independent committee member (Deducted Sum)	SAR 20,000

5. Members of the Corporate Governance Committee:

Allowance to attend one session	SAR 2,000
Remuneration of the independent committee member (Deducted Sum)	SAR 20,000

Executive management remuneration

1. The Nominations and Remunerations Committee reviews the salary scale set for all employees and senior executives and the incentive program and plans on an ongoing basis and approves them based on the recommendation of the executive management. The remuneration of the executive management includes the following:

- » Basic salary.
- » Medical insurance for him and his family.
- » Social insurance
- » Transportation allowance or insurance for a suitable means of transportation.
- » Housing allowance or adequate housing insurance for him and his family.
- » Annual increase linked to performance indicators and according to the annual evaluation made in this regard.
- » Annual reward linked to performance indicators and according to the annual evaluation that is made in this regard.
- » A long-term incentive bonus, if any.
- » Allowances and other benefits such as children's education allowance, travel tickets for him and his family, annual paid leave, and end-of-service gratuity in accordance with the Saudi Labor Law and the company's human resources management regulations.
- » Any bonuses or other allowances approved by the company's board of directors

1. The Nomination and Remuneration Committee reviews the general policies, plans, and programs for the remuneration of senior executives and submits its findings to the Board of Directors for approval.
2. The CEO implements the remuneration policy for employees and senior executives in light of the general policies, plans and programs approved by the Nomination and Remuneration Committee and approved by the Board of Directors.
3. The Nomination and Remuneration Committee reviews the annual incentives and bonuses disbursement to the CEO and submits them to the Board of Directors for approval.

Payment of bonuses

Rewards - according to what is stipulated in the bonuses and benefits tables attached to this policy - shall be disbursed in Saudi riyals or its equivalent in any other currency, and the payment is made through a direct entry in the bank accounts specified by the concerned person.

General provisions

1. Members of the Board of Directors may not vote on the provision of remuneration for members of the Board of Directors at the General Assembly meeting.
2. This policy is complementary to the company's articles of association, corporate governance system, and governance regulations.
3. All that is not provided for in this policy to apply the relevant laws and regulations issued by the competent authorities.

Disclosure

- » The report of the Board of Directors to the General Assembly must include a comprehensive statement of all rewards, expenses allowances and other benefits that Board members received during the fiscal year, and it should also include a statement of what board members received as workers or administrators or what they received in return Technical, administrative or consulting works, and it should also include a statement of the number of board sessions and the number of sessions attended by each member from the date of the last general assembly meeting or during the fiscal year ending on December 31.
- » Without prejudice to what is stated in the previous paragraph of this article, the company discloses the members of the board of directors, the committees emanating from it and the executive management (the top five senior executives who received the largest rewards, including the CEO and the financial director) in accordance with the regulatory requirements specified in the governance regulation.

Board of Directors remuneration

Table (18): Remuneration of Board Members during the year 2020:

Board Member	Fixed remuneration						Variable remuneration						Total	Expenses allowances
	Board Members remuneration	Total Board attendance allowances	Total Committees attendance allowances	Advantages	technical, administrative and consulting works remuneration	Remuneration of chairman, managing director or secretary if he is a member	Total	Dividends	Periodic remuneration	Short-term incentive plans	Long-term incentive plans	Bonus shares (value is entered)	Total	End of services remuneration
1. Independence members:														
Tarek AbdulRahman Saleh AlSedhan	150,000	15,000	22,000	-	-	-	187,000	-	-	-	-	-	-	-
Taha Mohammed Abdul Wahid Azhari	130,000	12,000	12,000	-	-	-	154,000	-	-	-	-	-	-	-
AbdulRahman Mohammed Abdulrahman Al-Zweidi	100,000	15,000	-	-	-	-	115,000	-	-	-	-	-	-	-
Total	380,000	42,000	34,000	-	-	-	456,000	-	-	-	-	-	-	-
2. Non-Executives members:														
Ahmed Hammoud Ibrahim Altheyab	-	15,000	-	-	-	-	15,000	-	-	-	-	-	-	-
Total	-	15,000	-	-	-	-	15,000	-	-	-	-	-	-	-
3. Executives members:														
George Abdulkarim George Moussa	-	15,000	-	-	456,667	-	471,667	-	968,000	-	-	-	968,000	229,057
Ahmed Hassan Ahmed Ali	-	15,000	-	-	256,000	-	271,000	-	62,000	-	-	-	62,000	74,674
Total	-	30,000	-	-	712,667	-	742,667	-	1,030,000	-	-	-	1,030,000	303,731
Totals	380,000	87,000	34,000	-	712,667	-	1,213,667	-	1,030,000	-	-	-	1,030,000	2,547,398

(*) Member of the Board of Directors Mr. Abdul Rahman Muhammad Abdul Rahman Al-Zuwaidi resigned from the membership of the Board from the date of March 15, 2020.

Remuneration of executive board members for their work as executives and not as board members.

Membership of the board members of other companies

Table (19): Membership of Board Members of other companies

No.	Member's name	Names of companies for which a member of the board of directors is a member of their current boards or directors	Inside / outside the Kingdom	The legal entity	Names of companies for which a member of the board of directors is a member of their previous boards or directors	Inside / outside the Kingdom	The legal entity
1	Ahmed Hammoud Ibrahim Altheyab	Hana Food Industries Company	Inside the Kingdom	closed joint stock	--	--	--
2	Tarek AbdulRahman Saleh AlSedhan	Riyad Bank	Inside the Kingdom	Public joint stock	--	--	--
3	George Abdulkarim George Moussa	--	--	--	--	--	--
4	Taha Mohammed Abdul Wahid Azhari	Batic Investments and Logistics Company	Inside the Kingdom	Public joint stock	--	--	--
5	AbdulRahman Mohammed Abdulrahman Al-Zweidi	--	--	--	Med Gulf Insurance and Reinsurance Company	Inside the Kingdom	Public joint stock
6	Ahmed Hassan Ahmed Ali	--	--	--	--	--	--

(*) Member of the Board of Directors Mr. Abdul Rahman Muhammad Abdul Rahman Al-Zuwaidi resigned from the membership of the Board from the date of March 15, 2020.

2. Board Committees

In the interest of the company's management to raise the effectiveness of governance, and with the aim of achieving a high degree of transparency, achieving the company's goals, and developing its performance, the company has adopted criteria for nominating members of the committees emanating from the company's board of directors and selecting them based on their competence and ability to represent the board of directors. Ensure the availability of experience, ability, and scientific and practical knowledge that would contribute to raising the company's strategic, supervisory, regulatory, and operational efficiency, and determining their remuneration in accordance with the standards and controls contained in the Companies Law and the Corporate Governance Regulations, and other relevant laws and regulations.



Tarek Abdulrahman Saleh Al Sadhan

Chairman



Taha Mohammed Abdul Wahid Azhari

Committee Member



Ahmed Khader Mohammed Harara

Committee Member



Hany Mamdouh Aly El Sayed Sherif

Risks and Internal Audit Manager
Audit Committee Secretary

A. Audit Committee

The Audit Committee is considered one of the important committees in the listed public joint-stock companies because of its essential and effective role in supervising the work and procedures of external auditing, internal auditing, the internal control process, developing systems and plans related to these activities and following up on their implementation and the company's commitment and compliance with generally accepted regulations and standards. The regulations of the Saudi Capital Market Authority and the Saudi Companies Law have given special importance to the review committee through its formation by the General Assembly in accordance with the provisions of Article (101) of the Companies Law and strengthening its framework and authority.

I. Forming the Audit Committee

- a. A review committee shall be formed by a decision of the company's General Assembly, from the shareholders or from others, provided that at least one of them is an independent member and does not include any of the members of the executive board of directors, and the number of members of the committee must not be less than three and not more than five, and that among them is a specialist. Financial and accounting affairs.
- b. The Chairman of the Audit Committee must be an independent member.
- c. The general assembly of the company issues - based on a proposal from the Board of Directors - the work bylaw of the Audit Committee, provided that this bylaw includes the controls and procedures of the committee's work, its tasks, the rules for selecting its members, how to nominate them, the term of their membership, their remuneration, and the mechanism for temporarily appointing its members in case one of the seats becomes vacant. The Commission.
- d. It is not permissible for anyone who works or has been working during the past two years in the executive or financial management of the company, or with the company's auditor, to be a member of the audit committee.

Table (20) Audit Committee:

No.	Member's name	Current Position	Previous Position	Qualifications	Experiences
1	Tarek Abdulrahman Saleh Al Sadhan	Chief Executive Officer at Riyad Bank	Advisor to the Chairman at the Board of Directors of Saudi Fund for Development	<ul style="list-style-type: none"> - Bachelor of Accounting - Diploma in International Trade - University of Edinburgh, Scotland - MBA - University ENPC Paris France - Member of the American Institute of Licensed Accountants AICPA - Member of the Institute of Internal Audit IIA - Member of the Saudi Licensed Public Accountants Authority SOCPA 	<ul style="list-style-type: none"> - Director General in charge at General Authority for Zakat and Income - Deputy Governor at the Arab Monetary Agency for Oversight of Saudi Arabian Monetary Institution - Chief Executive Officer at KPMG Auditors and Chartered Accountants
2	Taha Mohammed Abdul Wahid Azhari	Internal Audit Director at Saudi Civil Aviation Holding Company	Chief Financial Officer at Saudi Civil Aviation Holding Company	Bachelor of Accounting	<ul style="list-style-type: none"> - Chairman of Audit Committee at Hana Food Industries Company - Chairman of Audit Committee at Batic Investments and Logistics Company - Member of the Board of Directors at Batic Investments and Logistics Company - Member of Audit Committee at Zahrat Al Waha For Trading Company - Member of Audit Committee at Al Jazeera Bank - Economic Advisor at National Water Company - Executive Director of Business Excellence at the National Water Company - Chief Financial Officer at National Water Company
3	Ahmed Khader Mohammed Harara	Financial Director at Manno for Trade and Contracting	Executive Director at Ernst and Young Auditors and Chartered Accountants	- Bachelor of Accounting	<ul style="list-style-type: none"> - Supervisor Audit at Anderson's Office

II. The committee's competencies, authorities, and responsibilities

The Audit Committee is responsible for monitoring the company's business and verifying the integrity and integrity of the reports, financial statements, and internal control systems therein. The committee's duties include, in particular, the following:

A. financial reports

1. Study the initial and annual financial statements of the company before submitting them to the Board of Directors and expressing its opinion and recommendation regarding them; To ensure its fairness, fairness, and transparency.
2. Expressing a technical opinion - upon the request of the Board of Directors - on whether the report of the Board of Directors and the financial statements of the company are fair, balanced, and understandable, and include information that allows shareholders and investors to evaluate the financial position of the company, its performance, business model and strategy.
3. Study any important or unusual issues included in the financial reports.
4. Carefully researching any issues raised by the company's financial manager, whoever assumes his duties, the company's

compliance officer, or the auditor.

5. Verifying the accounting estimates in the fundamental issues mentioned in the financial reports.
6. Study the accounting policies applied in the company and express opinion and recommendation to the Board of Directors in this regard.

B. Internal audit

1. Study and review the company's internal, financial and risk management systems.
2. Study the internal audit reports and follow up the implementation of corrective measures for the observations contained therein.
3. Control and supervise the performance and activities of the internal auditor and the internal audit department in the company, if any, to verify the availability of the necessary resources and their effectiveness in performing the business and the tasks assigned to it. If the company does not have an internal auditor, the committee must submit its recommendation to the board regarding the extent of the need to appoint him.
4. Recommending to the Board of Directors to appoint the Director of the Internal Audit Department and suggesting his remuneration.

C. Auditor

1. Recommending to the Board of Directors to nominate and dismiss auditors, determine their fees, evaluate their performance after verifying their independence and review the scope of their work and the terms of contracting with them.
2. Verifying the auditor's independence, objectivity and fairness, and the effectiveness of the audit work, considering the relevant rules and standards.
3. Reviewing the company's auditor's plan and business and verifying that he has not submitted technical or administrative works that are outside the scope of the audit work and expressing its views on that.
4. Answer the inquiries of the company's auditor.
5. Study the auditor's report and his notes on the financial statements and follow up on what has been taken in their regard.

III. Committee meetings

The committee meets periodically, provided that its meetings are not less than (4) meetings during the company's financial year.

Table (21): Attendance of members of the audit committee for 2020 that its total number of meetings (6) meetings:

#	Member's name	Number of meetings						Total	Attendance Ratios
		First 28/1/2020	Second 26/2/2020	Third 23/4/2020	Fourth 14/5/2020	Fifth 23/7/2020	Sixth 21/10/2020		
1	Tarek Abdulrahman Saleh Al Sadhan	✓	✓	✓	✓	✓	✓	6	100%
2	Taha Mohammed Abdul Wahid Azhari	✓	✓	✓	✓	✓	✓	6	100%
3	Ahmed Khader Mohammed Harara	✓	✓	○	✓	✓	✓	5	83.33%

✓ Attended ○ Absent ● Resigned

IV. Summary of the report of the committee to the company's General Assembly

- All committee members are obligated to meet at least four times a year, starting in 2019, in accordance with its charter.
- In addition, the committee has reviewed the quarterly financial statements and other matters in some cases by scrolling. She also interacted regularly with management and internal auditors.
- Based on the recommendations of the internal audit, the committee recommended the management to take the necessary measures to improve the internal control systems in accordance with business needs and best practices. Moreover, the committee commended the administration for setting up a whistleblowing policy and hotline to enable stakeholders to report cases of non-compliance and deviations from existing practices and ethical violations.
- The committee assessed the independence of the auditor and reviewed the scope of their work and the terms of contracting with them. Accordingly, the committee recommended to the Board of Directors

D. Ensure commitment

1. Review the results of the reports of the supervisory authorities and verify that the company has taken the necessary actions regarding them.
2. Verify the company's compliance with the relevant laws, regulations, policies, and instructions.
3. Review the contracts and proposed transactions that the company conducts with related parties and submit their opinions on this to the Board of Directors.
4. Raise the issues it deems necessary to take action in their regard to the Board of Directors and make its recommendations for the actions to be taken.

to nominate them.

- Verifying the auditor's independence, objectivity, fairness, and effectiveness of audit work, while observing the relevant rules and standards.
- Review the activities and work plan of the auditor.
- Reviewing the chartered accountant's reports and notes on the financial statements.
- The committee ensured that the Company adheres to the relevant laws, regulations, policies, and instructions.
- Review the results of the reports of the regulatory authorities and verify that the necessary measures have been taken in this regard.
- Review contracts and proposed transactions that the company conducts with related parties.
- After reviewing the annual financial statements for the year ended December 31, 2020, the committee considers that the financial statements, in all material respects, comply with all relevant regulations.
- Accordingly, the committee recommended to the Board of Directors to approve the annual financial statements for the year ending December 31, 2020.



Hany Mamdouh Aly El Sayed Sherif

CIA, Risks and Internal Audit Director
Audit Committee Secretary

V. Results of the internal review and evaluation of the effectiveness of the internal control system

First: The foundations of internal control and the application of the supervisory cycle within the company:

In light of the internal control reports, the audit committee reviews the monitoring cycle for all the company's activities according to the following principles:

1. Ensuring the proper application of laws and regulations to enhance confidence in the reports of subsidiaries.
2. Evaluating the administrative, financial, operational, and marketing policies and procedures for each company according to the nature of its business.
3. Ensure the accuracy and verification of the information contained in the periodic reports of these companies.
4. The ability to take appropriate decisions by identifying problems and obstacles and working to solve them as a form of prohibitive control.
5. The Audit Committee monitors the extent of commitment to implement the financial control program approved by the Board of Directors to monitor the company's investments.

Second: The results of the annual review of the effectiveness of internal control, and the following are the most important procedures and essential notes:

In light of the work carried out by the committee during the year ending on December 31, 2020 AD, and based on the reports of the Internal Audit and Risks Department, the internal audit processes did not show a fundamental weakness in the internal control system, in addition to the absence of any deficiencies in the internal control system and that the policies and procedures of the company Appropriateness, with the continuation of the recommendation to the company's management to continuously monitor the development and improvement of the efficiency and effectiveness of the applicable internal controls and the need for continuous updating of the company's policies and procedures.

Note that the company depends on the implementation of the internal audit by the Internal Audit and Risks Department from within the company, nominated by the Audit Committee and

appointed by the Board of Directors.

Risks and its management policy to manage it:

The company operates in a multi-risk and fast-changing environment like most companies, and in light of these challenges the company strives to develop and expand its business by exploiting all available investment opportunities and based on full awareness of the risks associated with the company's vision, the company analyzes and manages risks in order to protect its current business and future and provide preventive and reactive measures for potential risks. The company works to unify strategies and processes, as well as directing and training employees to follow a unified method for managing risks that the company may face in the future to reach this goal and help it achieve its strategic goals, the risk management process is based on identifying and analyzing the risks that the company faces in two ways:

- » Risk assessment: Analyzing risks and working to address them to avoid their occurrence or reduce their impact if they occur.
- » Business continuity: by raising the level of readiness and readiness to deal with risks as they arise.

In order to achieve the company's strategic objectives, the company has put in place appropriate procedures to evaluate the risks related to strategic decisions, in addition to providing support to assess risks related to some.

Strategic actions:

First: the concept of risk management in the company:

Risk management is the process of measuring and evaluating potential risks and developing management strategies to ensure preventive handling of those risks and facilitate work on early detection of actual problems with the aim of minimizing their negative effects on the company. The best approach to risk management is to arrange them in order of priority so that risks that may result from losses are addressed. Significant or substantial impacts while risks with lesser impact are addressed later.

Second: Why is the company interested in the risk management process: Tightening control over the risks surrounding the company's activities and business.

- Determine the specific treatment for each type of risk.
- Work to reduce losses and accept them to a minimum.
- Providing appropriate confidence to all stakeholders of the company, especially shareholders, creditors, suppliers, and customers, in order to protect the ability to generate profits despite any incidental losses that may lead to a reduction in profits or not achieving them.

Third: the company's philosophy in dealing with risks:

The company's philosophy is based on the fact that risk is an integral part of any profit-oriented activity, especially in the industrial sector. Therefore, the company deals with risks by classifying them into four main groups, including the following:

1. Risks Avoidance: It means trying to avoid activities that may lead to a risk.
2. Reducing risks: This is done by reducing the volume of investment that results in that risk or by involving others in bearing the risk.
3. Risk transfer: This is done by securing the means that help in accepting the risk. It is usually done through contracts or financial safeguards such as insurance contracts.

4. Acceptance of risk taking: It means the management's acceptance of losses when they occur, and this may be acceptable in small risks.

Fourth: The most Significant risks facing the company:

The risks described below (whether it is operational risk, financing risk, or market risk) do not include all the risks that the company may face. Rather, additional risks may exist, but they are either unknown to the company during the current period, or the company may consider them not essential and do not impede their work. For this purpose, the company has prepared a register of the risks that the company may face and the control points that will reduce the effects of those risks if they occur or hinder their occurrence, and these risks can be summarized as follows:

A. The effects of the "COVID-19 19-Corona" epidemic on the company's activities

The whole world lives these days of the year 2020 AD in a state of emergency as declared by several countries as a result of the spread of the "COVID-19 19-Corona" epidemic, while the Kingdom of Saudi Arabia took the initiative to take a set of preventive health measures to fight the global epidemic and take into account human safety first of citizens and residents. It was an example to be emulated and to be praised and appreciated by a group of world leaders, and there is no doubt that the economic recession has affected the decline in sales and exports in all countries of the world.

B. Global economic fluctuations and financial crises

The company is not only affected by the local economy, but the impact on its operations and expansions extends to global economic conditions, and is definitely affected by the global financial crises that appear from time to time, which may compel current and potential customers of the company to reduce spending on the company's products and thus affect its profitability, especially since the company has a proportion of not a few external clients outside the Kingdom, and the financial institutions that deal with the company may be affected, and it is not possible to predict the time, strength or duration of any slowdown or subsequent economic recovery.

C. Regional political and economic situations

The region is witnessing some political fluctuations that extend to many of the countries that the company deals with, which may negatively affect access to some customers in those areas, and thus this affects one of the company's most important strategic objectives by targeting new markets and diversifying sources of income.

D. The competitive environment

The company's growth and maximizing the level of its profits are closely related to its ability to compete and maintain its leadership position among other local and international companies by maintaining the quality and diversification of its products, but the competitive environment may push the company to reduce some of its prices in order to preserve its major customers and market share.

E. Major suppliers

Relying on one major supplier for the raw materials used by the

company in the manufacture of its products is one of the greatest risks that the company pays special attention, especially since the main supplier directly affects the main activities of the company if the supply stops for any reason or the supplier refuses any consideration in addition to his exclusive entitlement to determining the price levels of raw materials, and on the other hand, the company does not have sufficient capacity to import these materials from the global market at higher prices due to considerations of customs duties, transportation, storage and other fees as well as the difficulty of obtaining the approval of the concerned authorities to import a locally available product.

F. Prices of energy products and raw materials

The company's sales and profitability depend directly on two main elements, namely the prices of energy products and the prices of raw materials, those prices that the company cannot predict, especially with recent government decisions that included a rise in the prices of energy products with a lack of clarity of the possibility of increasing them in the future in addition to the fluctuation of raw materials prices. According to global oil price fluctuations, and this is expected to repeat in the future, the company's performance depends in part on its ability to include these changes in costs in the selling prices of products.

G. Sudden stalling and failure

The work in the company is carried out with a system of division of labor by manpower to ensure the continuation of the factory's work without stopping and around the clock on all days of the week, and there are some risks that may negatively affect the operational efficiency of the company such as natural disasters, breakdowns in machines or computers, and accidents related to employees. The company cannot provide any guarantees that its operations will not be disrupted, despite the fact that it has achieved all the standards of continuous periodic and preventive maintenance, which may lead to an increase in costs and a decrease in revenues and profits.

H. Company resource management system

All the company's departments mainly rely on computer systems in managing its assets and controlling its activities and financial records, in addition to using the resource management system in all its financial, administrative, and operational operations. Therefore, any defect that arises in this system or a dispute over its property rights or others will negatively affect the company's operations and the smooth running of its work, and to avoid this, the company is keen to make the necessary updates to the system periodically and through one of the specialized consultants, and a contract is being made with a specialized company to store all its information as a backup copy.

I. Currency exchange rates and interest rates

The company deals in all its international imports and exports with currencies that are closely related to the Saudi riyal such as the US dollar and the euro, and any fluctuation between the value of the Saudi riyal and any of those currencies may have a negative impact on the company's revenues and profits, and any negative shift in exchange rates in the markets that do not dominate. On it, the dollar could have a negative impact on the profitability of the company due to the correlation of the Saudi riyal with the US dollar. Moreover, fluctuations in interest rates among Saudi banks in addition to the fluctuation of interest rates globally and their impact on financial institutions that the company may

deal with now or in the future could increase borrowing costs and have a negative impact on the results of operations.

J. Insurance coverage

Although the company has a number of insurance coverages associated with its work in the field of manufacturing industries, these policies may not provide complete insurance against all potential risks related to its business as a result of changing market conditions. The insurance premiums and deductibles in some insurance policies can increase dramatically in some cases. This may lead to a significant increase in operational costs, which leads to lowering its profitability, and for that, the company has contracted with an insurance advisor to obtain the best terms and insurance coverage that covers most of the risks surrounding its operational activities.

K. Legislative and regulatory environment

The company operates in a dynamic legislative environment, as the company is subject to the laws and regulations in force in the Kingdom of Saudi Arabia, and these laws and regulations may be subject to change, which may be reflected in the company's business, negatively or positively, and the company may modify its products or operations in order to cope with any future changes in Those legislations and laws, and for the minimal negative effects arising from any of these changes if they exist, the company is constantly aware of any infringements of the regulations in force locally or in any of the countries to which its activity extends, then it studies the impact of these violations on the scope of its business and from Then take all necessary measures to reduce its effects or try to employ it to serve its business.

L. Labor laws and regulations

Legislation in the Kingdom of Saudi Arabia requires adherence

to achieving a rate of Saudization of jobs in companies through the Nitaqat program, which requires a percentage of Saudi employees out of the total employees, and the company has achieved the required percentage, and continues its continuous pursuit of the Saudization of a number of administrative jobs in conjunction with its expansion plan that requires many Employment in its various departments. Although the company believes in the importance of Saudization as a national development requirement, it faces difficulties and challenges due to the nature of its industrial activity and its inadequate work for citizens seeking work and its reliance mainly on expatriate workers, which makes it difficult to achieve Saudization and Emiratization rates, and the risks associated with that persist, especially with the high costs of labor and employment.

M. Environment, safety, and occupational health

Based on the company's endeavor to implement the highest rates of security, safety, and occupational health, it has taken upon itself to adopt more stringent standards to provide preventive safety requirements, something that raises its costs, which may negatively affect its business results and financial position, and the company's business and financial position may also be seriously affected. Negative in the event of material losses or damages that may result from dealing with hazardous materials and safety, or in the event of accidents during production processes that are not covered by insurance policies or result from accidents that are not covered by insurance policies. Therefore, the company considers maintaining the health and safety of its employees and human resources as one of its most important strategic priorities, and that all of its facilities are subject to local and international safety standards.

B. Nominations and Remunerations Committee

The main objectives of the Nominations and Remunerations Committee are to assist the Company's Board of Directors to carry out the following duties and responsibilities:

- Supervising the rewards and incentives plan for company employees and following up on their implementation.
- Supervising the administrative succession plans for senior leadership at the company level.
- Supervising the nomination process for membership of the Board, the committees emanating from it, and the executive management of the company, and ensuring that it is linked to performance.
- Supervising and ensuring the application of the employee grievance policy.
- Managing the process of evaluating the performance of board and committee members.

i. Forming the committee

- According to Article 60 of the Corporate Governance Regulations, the Nominations and Remuneration Committee is formed by a decision of the Board of Directors, provided that the company's General Assembly issues the rules for selecting the members of the committee, their membership period, specifying the committee's tasks, its work controls, and the remuneration of its members, based on a proposal from the Board of Directors.
- The company's board of directors must notify the Capital Market Authority of the names of the committee's members and their membership qualifications within five working days from the date of their appointment, and any changes that occur to that within five working days from the date of the changes taking place.
- The Nomination and Remuneration Committee is formed from non-executive board members, whether from shareholders or from others, and the number of its members should not be less than three and not more than five, including at least one independent board member.
- That the candidate has a record of experience related to the functions of the Nomination and Remuneration Committee.
 - » The candidate must have a good knowledge of the company's activities and business, and the skills and experience required to manage it.
 - » The candidate must have a university degree.
 - » That a judgment has not been issued against the candidate for committing an act that violates honor or trust or violates the laws and regulations in the Kingdom of Saudi Arabia or in any other country.
 - » The candidate's selection should not be in violation of the relevant rules, regulations, and instructions.
- Committee members choose from among them a chairperson for the term of the committee's membership, provided that he is an independent member of the board of directors.
- A member of the committee performs his duties from the date of his appointment by the Board of Directors, and his membership

ends in one of the following cases:

- » The end of the session of the Board of Directors.
- » His resignation, without prejudice to the company's right to compensation if the resignation occurred at an inappropriate time.
- » The member's inability from a health point of view to complete his duties in the committee.
- » A court ruling declaring his bankruptcy or insolvency or his request for a settlement with his creditors.
- » A conviction for committing an act that breaches honor and trust, or for forgery, or for violating laws and regulations in the Kingdom of Saudi Arabia or in any other country.
- » A decision by the Board of Directors to exempt him from membership in the committee for any of the following reasons:
 - Breaching his responsibilities, tasks, and duties, which would result in harm to the interest of the company.
 - He was absent from three consecutive meetings within one year without a legitimate excuse.
 - Other than the above-mentioned reasons that the Board considers, without prejudice to the right of the dismissed member towards the company to claim compensation if the dismissal occurred for an unacceptable reason or at an inappropriate time.
- » Losing at any time any of the selection rules for membership in the Nominations and Remuneration Committee established under these regulations.
- If the position of a member of the committee becomes vacant in one of the previous cases or others during the term of membership, the board may appoint a member in the vacant position, provided that he meets the selection rules for membership of the committee referred to in these regulations, and the new member completes the term of his predecessor.
- The committee shall have a secretary appointed by the board of directors.



Tarek Abdulrahman Saleh Al Sadhan

Chairman



Turkey Naser Ahmed Alshaheer

Member
Committee Secretary

Mahmoud Mohammed Zaki Algamri

Chief Financial Officer
Committee Member

Table (22) Nomination and Remuneration:

No.	Member's name	Current Position	Previous Position	Qualifications	Experiences
1	Tarek Abdulrahman Saleh Al Sadhan	Chief Executive Officer at Riyad Bank	Advisor to the Chairman at the Board of Directors of Saudi Fund for Development	<ul style="list-style-type: none"> - Bachelor of Accounting - Diploma in International Trade - University of Edinburgh, Scotland - MBA - University ENPC Paris France - Member of the American Institute of Licensed Accountants AICPA - Member of the Institute of Internal Audit IIA - Member of the Saudi Licensed Public Accountants Authority SOCPA 	<ul style="list-style-type: none"> - Director General in charge at General Authority for Zakat and Income - Deputy Governor of the Arab Monetary Agency for Oversight at Saudi Arabian Monetary Institution - Chief Executive Officer at KPMG Auditors and Chartered Accountants
2	Turky Naser Ahmed Alshaheer	Human Resources General Manager at Trans Contracting Company	Administration Manager at Arab Tec Jardine & Co.	Diploma in IT	<ul style="list-style-type: none"> - Human Resources Director at Hana Food Industries - Human Resources Administrative Director at Al Harbi Trading and Contracting Company - General Manager, Mashael Al-Ruwad Company - Administrative Director and Human Resources manager at Gulf Investment Company - Administrative Director at Al Seef Group
3	Mahmoud Mohammed Zaki Algamri	Chief Financial Officer at Zahrat Al Waha For Trading Company	Finance Manager at Zahrat Al Waha For Trading Company	<ul style="list-style-type: none"> - Bachelor of Commerce Majoring in Accounting - Diploma in Business Administration - Mini MBA Diploma - Diploma of project management specialist program - APICS CPIM Basics of Supply Chain Management Diploma 	<ul style="list-style-type: none"> - Accounting and Costing Manager at Union Technology Union Aire Group - Egypt Deputy - Accounting Manager at Union Technology Union Aire Group - Egypt - Accounting Manager at Khalid Al Musa Furniture Company - Saudi Arabia - Financial Accountant and Cost Accountant at Engineering Industries Union Aire group - Egypt - External Auditor at Auditor's Office - Egypt

ii. Terms of reference of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for the following:

1. To propose clear policies and standards for membership in the Board of Directors and executive management.
2. Recommending to the Board of Directors to nominate its members and re-nominate them in accordance with the approved policies and standards, considering not to nominate any person previously convicted of a breach of trust.
3. Preparing a description of the capabilities and qualifications required for membership in the Board of Directors and for executive management positions.
4. Determine the time that the member should allocate to the work of the Board of Directors.
5. Annual review of the necessary skills or experience needs for board membership and executive management functions.
6. Reviewing the structure of the Board of Directors and the executive management and making recommendations regarding the changes that can be made.

7. Checking on an annual basis the independence of independent members, and the absence of any conflict of interest if the member occupies the board of directors of another company.
8. Establish job descriptions for executive members, non-executive members, independent members, and senior executives.
9. Establishing special procedures in case the position of a member of the board of directors or a senior executive becomes vacant.
10. Determine the strengths and weaknesses of the Board of Directors and propose solutions to address them in line with the company's interest.
11. Ensure, on an annual basis, that the independent members are independent, and that there is no conflict of interest if the member is a member of the board of directors of another company.
12. Preparing a clear policy for the remuneration of members of the Board of Directors and the committees emanating from the Board and the Executive Management and submitting them to the Board of Directors for consideration in preparation for approval by the General Assembly, considering in this policy the following standards related to performance, its disclosure, and verification of its implementation.
13. Clarify the relationship between the granted rewards and the applicable remuneration policy and indicate any material deviation from this policy.
14. Periodic review of the remuneration policy, and evaluation of its effectiveness in achieving the objectives sought from it.
15. Recommending to the Board of Directors the remuneration of members of the Board of Directors, the committees emanating from it, and the company's senior executives, in accordance with the approved policy.

iii. The duties and responsibilities of the committee

In light of what was stipulated in the rules governing the Nomination and Remuneration Committee in the Corporate Governance Regulations issued by the Capital Market Authority, the duties and responsibilities of the committee are as follows:

First: Remuneration

- Preparing a clear policy for the remuneration of members of the Board of Directors, the committees emanating from it and the executive management, and submitting them to the Board of Directors for consideration in preparation for approval by the General Assembly, considering in this policy that standards related to performance are followed, disclosed, and their implementation verified.
- Reviewing the remuneration policy periodically to ensure its suitability to the changes that may occur in the relevant legislation and regulations, the company's strategic objectives and the skills and qualifications necessary to achieve them, and to recommend to the Board of Directors regarding the proposed changes to this policy.

- Recommending to the Board of Directors the remuneration of members of the Board of Directors, its committees emanating from it, and senior executives of the company, in accordance with the policy approved by the company's General Assembly.
- Determine the types of rewards that are granted to employees in the company and recommend them.
- Preparing an annual report on the remuneration granted to members of the Board of Directors, its committees emanating from it, and senior executives, provided that this report includes an explanation of the relationship between the bonuses granted and the remuneration policy in force, and any fundamental deviations from this policy.

Second: Nominations

1. Board of Directors

- Preparing a policy and criteria for membership of the Board of Directors, and recommending to the Board in this regard, for approval by the company's General Assembly.
- Recommending to the Board of Directors the nomination for Board membership in accordance with the approved membership policy.
- Annual review of the required needs of appropriate skills for membership of the Board of Directors, and preparation of a description of the capabilities and required qualifications.
- Reviewing the membership policy of the Board of Directors periodically to ensure its suitability to the changes that may occur in the relevant legislation and regulations, the company's strategic objectives and the skills and qualifications required to achieve them, and to recommend to the Board of Directors regarding the proposed changes to this policy.
- Studying and recommending cases of conflict of interest for those wishing to run for membership of the Board of Directors.
- Study the structure of the Board of Directors and make recommendations regarding the changes that can be made.
- Identifying the strengths and weaknesses of the board of directors and proposing remedies in accordance with the company's interest.
- Establishing procedures in the event of a vacancy in the position of a member of the Board of Directors or members of its committees emanating from it, and making recommendations regarding them.
- Recommending to the Board of Directors the performance criteria to evaluate the work of the Board of Directors and its members and committees emanating from it.

2. Members of the Board of Directors

- Determine the time that the member should allocate to the work of the Board of Directors.
- Ensure, on an annual basis, that the independent members are independent, and that there is no conflict of interest if the member is a member of the board of directors of another company.
- Establishing job descriptions for executive members, non-executive members, and independent members.
- Recommending to the Board of Directors to re-nominate or remove

a member of the Board or members of the committees emerging from it.

- The committee should inform the board of directors of the results it reaches or takes in the form of decisions in a transparent manner.

3. Senior executives

- Recommending to the Board of Directors the appropriate policies and standards for the appointment of senior executives, identifying the required capabilities and skills, and reviewing them periodically to ensure their suitability to the changes that may occur to the company's strategic objectives and the skills and qualifications necessary to achieve them.
- Developing job descriptions for senior executives, reviewing the company's organizational structure, and making recommendations regarding the changes that can be made.
- Preparing criteria for evaluating the CEO's performance and informing him of them.
- Reviewing and approving the company's objectives related to CEO compensation.
- Reviewing the CEO's performance annually to ensure that he provides effective leadership of the company.
- Review management development programs and job replacement plans for senior executives in coordination with the CEO.
- Reviewing the evaluation objectives (including performance indicators) to be achieved within the rewards and incentive programs.
- Preparing an annual report on the remunerations paid to the executive management to be included in the company's annual report in accordance with the applicable controls and regulations.
- Establishing and recommending succession procedures in the event the position of a senior executive is vacant. In order for the Nomination and Remuneration Committee to perform

its duties, the Committee shall have the following authorities:

- » Requesting information and data that would assist the committee in studying the issues pertaining to it, or those referred to it by the board of directors.
- » To seek the assistance of experts, specialists, or others it deems necessary to study the topics that fall within its duties and responsibilities, after the approval of the Board of Directors.

Third: The induction program for the Board's new members

Recommending to the Board of Directors to set an induction program for the new members of the Board so that the program covers the company's activity, the nature of its business, and its financial and legal aspects.

Fourth: Other tasks and responsibilities

- Assisting the Board of Directors in developing and reviewing the organizational structure of the company and the operating model that organizes the relationship between the company and the related parties.
- Monitor the implementation of the employee grievance policy and ensure its effectiveness.

iv. Authorities of the Nomination and Remuneration Committee

In order for the Nomination and Remuneration Committee to perform its duties, and in accordance with the relevant laws and regulations, it shall have the following authorities:

- The right to investigate any matter that falls within its competencies and tasks, or any subject specifically requested by the Board.
- The right to seek legal and technical advice from any external party or any other independent advisory body whenever necessary to assist the committee in performing its duties.
- The committee has the right to view all data, information and records related to the remuneration and compensation of the company and to review the reports of administrative succession of executives.
- The company bears any costs required for the committee to carry out its work.

v. Committee meetings

The committee meets once every six months at least.

Table (23): Names of members of the Nominations and Remunerations Committee and the percentage of attendance at the Committee's meetings:

No.	Member's name	Position	Number of meetings (2)		Attendance Ratios
			First 26/2/2020	Second 23/7/2020	
1	Tarek Abdulrahman Saleh Al Sadhan	Chairman	✓	✓	100%
2	Turky Naser Ahmed Alshaher	Member	✓	✓	100%
3	Mahmoud Mohammed Zaki Algamri	Member	✓	✓	100%

✓ Attended ○ Absent ● Resigned

C. Risk Management Committee

The tasks of risk management were assigned to the internal audit department, as well as the tasks of the risk committee to the audit committee by the decision of the board of directors in its meeting No. 4 of 2019 on 07/17/2019 based on the recommendation of the audit committee.

i. Forming a risk management committee

By a decision of the company's board of directors, a committee called (the Risk Management Committee) has been formed. Its chairman and the majority of its members are non-executive board members. Its members are required to have an adequate level of knowledge of risk management and financial affairs.

ii. Terms of reference of the Risk Management Committee

The Risk Management Committee shall be responsible for the following:

1. Developing a comprehensive risk management strategy and policies commensurate with the nature and size of the company's activities, verifying their implementation, reviewing, and updating them based on the internal and external variables of the company.
2. Determine and maintain an acceptable level of risks to which the company may be exposed and verify that the company does not exceed it.
3. Verifying the feasibility of the continuation of the company and the successful continuation of its activity, with identifying the risks that threaten its continuation during the next twelve months.
4. Supervising the company's risk management system and evaluating the effectiveness of the systems and mechanisms for identifying, measuring, and following up the risks that the company may be exposed to; This is to determine its shortcomings.
5. Re-evaluate the company's ability to withstand risks and its exposure to them periodically (by conducting) stress tests, for example.
6. Preparing detailed reports on exposure to risks and the proposed steps for managing these risks and submitting them to the Board of Directors.
7. Submit recommendations to the Board on issues related to risk management.
8. Ensure the availability of adequate resources and systems for risk management.
9. Review the organizational structure of risk management and make recommendations regarding it prior to its approval by the Board of Directors.
10. Verify the independence of the risk management personnel from the activities that may result in exposing the company to risks.
11. Verify that the risk management staff understands the risks surrounding the company and works to increase awareness of the risk culture.
12. Reviewing the issues raised by the audit committee that may affect the risk management in the company.

Remuneration and allowances of the board committees

The committee meets once every six months at least.

Table (24) Remunerations and allowances that have been paid to the board committees' members during the year 2020:

		Fixed remuneration (Except for attendance allowance)	Attendance allowance	Total
- Audit Committee Members				
1	Tarek Abdulrahman Saleh Al Sadhan	30,000	18,000	48,000
2	Taha Mohammed Abdul Wahid Azhari	30,000	12,000	42,000
3	Ahmed Khader Mohammed Harara	30,000	15,000	45,000
	Total	90,000	45,000	135,000
- Nominations and Remunerations Committee Members				
1	Tarek Abdulrahman Saleh Al Sadhan	20,000	4,000	24,000
2	Turky Naser Ahmed Alshaheer	20,000	4,000	24,000
3	Mahmoud Mohammed Zaki Algamri	-	4,000	4,000
	Total	40,000	12,000	52,000
	Total	130,000	57,000	187,000

D. Executive management

Subject to the competencies established for the Board of Directors under the provisions of the Companies Law and its implementing regulations, the executive management shall have the authority to implement the plans, policies, strategies, and main objectives of the company in order to achieve its objectives. Among the functions and tasks of the executive management are the following:

1. Implementing the company's internal policies and regulations approved by the Board of Directors.
2. Proposing the company's comprehensive strategy, major and interim work plans, investment policies and mechanisms, financing, risk management, and emergency management conditions management plans and their implementation.
3. Proposing the optimal capital structure for the company and its financial strategies and objectives.
4. Proposing the main capital expenditures for the company and owning and disposing of assets.
5. Proposing the organizational and functional structures of the company and submitting it to the Board of Directors for approval.
6. Implementation of internal control systems and controls and general supervision, including:
 - a. Implementing a conflict of interest policy.
 - b. Proper application of financial and accounting systems, including systems related to preparing financial reports.
 - c. Implement appropriate control systems to measure and manage risks; By setting a general perception of the risks that the company may face, creating an environment familiar

with the culture of risk reduction at the company level, and presenting it transparently with the Board of Directors and other stakeholders.

7. Effective implementation of the company's corporate governance rules - in a manner that does not conflict with the provisions of these regulations and proposing to amend them when needed.
8. Implementing the policies and procedures that ensure the company's compliance with laws and regulations and its commitment to disclose essential information to shareholders and stakeholders.
9. Providing the Board of Directors with the necessary information to exercise its authorities and making recommendations regarding the following:
 - a. Increase or decrease the company's capital.
 - b. Dissolution of the company before the term specified in its articles of association or deciding its continuation.
 - c. Use of the company's contractual reserve.
 - d. Create additional reserves for the company.
 - e. The method of distributing the net profits of the company.
10. Proposing a policy and the types of bonuses to be granted to workers, such as fixed bonuses, performance-related bonuses, and bonuses in the form of shares.
11. Prepare periodic financial and non-financial reports regarding the progress made in the company's activity in light of the company's strategic plans and objectives and present these reports to the Board of Directors.
12. Managing the daily work of the company and running its activities, as well as managing its resources optimally and in accordance with the company's goals and strategy.

13. Active participation in building and developing a culture of moral values within the company.
14. Implement internal control and risk management systems, verify the effectiveness and adequacy of these systems, and ensure compliance with the level of risks approved by the Board of Directors.
15. Propose internal policies related to the company's work and development, including defining the tasks, specializations and

responsibilities assigned to the various organizational levels.

16. Proposing a clear policy for delegating business to it and the method for implementing it.
17. Propose the authorities that are delegated to it, the decision-making procedures, and the duration of the delegation, provided that periodic reports are submitted to the Board of Directors on its practices of those authorities.

i. Jobs, qualifications, and experiences of senior executives

Table (25) jobs, qualifications, and experiences of senior executives:

No.	Member's name	Current Position	Previous Position	Qualifications	Experiences
1	George Abdulkarim George Moussa	Chief Executive Officer	General Manager of Sales at Zahrat Alwaha For Trading Company	- Bachelor of Marketing and Sales	- General Manager of Sales at Al-Othman Plastic Company - Takween
2	Mahmoud Mohammed Zaki Algamri	Chief Financial Officer	Finance Manager at Zahrat Al Waha For Trading Company	- Bachelor of Commerce Majoring in Accounting - Diploma in Business Administration - Mini MBA Diploma - Diploma of project management specialist program APICS CPIM Basics of Supply Chain Management Diploma	- Accounting and Costing Manager at Union Technology Union Aire Group - Egypt Deputy - Accounting Manager at Union Technology Union Aire Group - Egypt - Accounting Manager at Khalid Al Musa Furniture Company - Saudi Arabia - Financial Accountant and Cost Accountant at Engineering Industries Union Aire group - Egypt - External Auditor at Auditor's Office Egypt
3	Rakan Ahmed Hammoud Ibrahim Altheyab	Supply Chain Director	-	Training courses in Supply Chain	-
4	Sherif Ramadan Youssef Zaqzouq	Production and Maintenance Director	Maintenance Director at Plastic Factory in Hana Food Industries	Bachelor of Engineering	- Production and Maintenance Director at Medco Plast - Egypt - Maintenance Director at Edison Plastic Factory - Sudan - Maintenance Director at Medstar - Egypt - Maintenance Engineer at Medstar - Egypt - Production Engineer at Selim Plast Factory - Egypt
5	Ahmed Hassan Ahmed Ali	Quality Control Director	Quality Control Director at Takween Advanced Industries Company	- Bachelor of Chemistry - Diploma in Analytical Chemistry	-
6	Yasser Ghannam Arafat Al-Khatib	Sales Director	Sales supervisor at Packaging Solutions Factory	Bachelor of Information Technology specializing in computer information systems	- Sales supervisor at Installment Program - Sales Coordinator at Coptra Graphic Company - Sales Coordinator at Nawras Health Water Company
7	Abdul Mohsen Nasser Salem Al-Gremel	Human Resources Director	Administrative Director at Hana Food Industries Company	Training courses in HR	- Executive Secretary at Hana Food Industries Company
8	Mohammed Abdul-Aziz Moaajab Alhagabani	Acting Information Technology Director	-	Bachelor of Computer Science - Information Systems Specialist	-

ii. Bonuses and compensation paid to senior executives

The total of what was disbursed to senior executive's SAR 1.6 million for the year 2020, including periodic and annual salaries, allowances, travel, and subsistence allowances, as of December 31, 2020, as follows:

Table (26): Remunerations of the top five executives, including the CEO and CFO:

Fixed remuneration				Variable remuneration							Total
Board Members remuneration	Allowances	Advantages	Total	Periodic remuneration	Dividends	Short-term incentive plans	Long-term incentive plans	Bonus shares (value is entered)	Total	Expenses allowances	
1,018,698	414,090	-	1,432,788	1,255,000	-	-	-	-	1,255,000	539,272	3,227,060

iii. Ownership of senior executives

Ownership of senior executives and the ratio to total shares in the company at the end of 2020 compared to their ownership at the beginning of 2020:

Table (27): Ownership of Senior Executives:

No.	Senior Executives 's name	shares owned by the Senior Executives			
		Number of shares at Beginning of the year 2020	Ratio to total shares	Number of shares at	Ratio to total shares
1	George Abdulkarim George Moussa	--	0%	--	0%
2	Mahmoud Mohammed Zaki Algamri	--	0%	--	0%
3	Rakan Ahmed Hammoud Ibrahim Altheyab	--	0%	--	0%
4	Sherif Ramadan Youssef Zaqzouq	--	0%	--	0%
5	Ahmed Hassan Ahmed Ali	--	0%	--	0%
6	Yasser Ghannam Arafat Al-Khatib	--	0%	--	0%
7	Abdul Mohsen Nasser Salem Al-Gremel	--	0%	--	0%
8	Mohammed Abdul-Aziz Moaajab Alhagabani	--	0%	--	0%

Disclosure: According to the declarations submitted by the senior executives, there are no shares owned by any of the wives or children of any of the senior executives during the year 2020.

3. The company's obligations to the Corporate Governance Regulations

Table (28): The company's obligations to the Corporate Governance Regulations

No.	Chapter/ Article number	Status	Chapter/ Article paragraph	Reasons of Non-Apply
1	<ul style="list-style-type: none"> Article 67 Article 68 Article 69 	Indicative	Formation of a risk management committee Terms of reference for the risk management committee Risk Management Committee meetings	The company is currently implementing the tasks and authority related to this committee through the audit committee
2	Article 95	Indicative	Formation of a corporate governance committee	The company is currently implementing the tasks and authority related to this committee through the Board of Directors and its subcommittees, by implementing the tasks entrusted to it and achieving its goals
3	Article 87	Indicative	Social responsibility policy	The company applies the policy that has been approved by the Board of Directors and is awaiting approval from the company's General Assembly

Shareholders' rights and the General Assembly

Shareholders' rights

First: Fairly treatment of shareholders

- A. The Board of Directors shall work to protect the rights of shareholders in a manner that guarantees fairness and equality among them.
- B. The Board of Directors and the executive management of the company are obligated not to distinguish between shareholders who own the same class of shares, and not to withhold any right from them.
- C. The company defines in its internal policies the necessary procedures to ensure that all shareholders exercise their rights.

Second: Shareholders' equity

It proves to the shareholder all the rights associated with the share, especially the following:

01. Obtaining his share of the net profits to be distributed in cash or by issuing shares.
02. The right to receive his share of the company's assets upon liquidation.
03. Attending public or private shareholders' assemblies, participating in their deliberations, and voting on their decisions in accordance with what is stipulated in the articles of association of the company.
04. Disposing of his shares in accordance with the provisions of the Companies Law, the Financial Market Law, and their implementing regulations.
05. Inquiring and requesting access to the company's books and documents, and this includes data and information on the company's activity and its operational and investment strategy in a way that does not harm the interests of the company and does not conflict with the companies' system, the financial market system, and their implementing regulations.
06. Monitor the company's performance and the work of the Board of Directors.
07. Accountability of the members of the Board of Directors, filing a liability lawsuit against them, and an appeal against the invalidity of the decisions of the public and private shareholders' societies in accordance with the conditions and restrictions contained in the Companies Law and the Company's Articles of Association.
08. Priority to subscribe for new shares issued in exchange for cash shares, unless the Extraordinary General Assembly stops work on the priority right - if stipulated in the company's articles of association - in accordance with Article 140 of the Companies Law.
09. Registration of his shares in the register of shareholders in the company.
10. A request to view a copy of the company's articles of

incorporation and articles of association, unless the company publishes them on its website.

11. Nomination and election of members of the Board of Directors.

Third: The shareholder obtains the information.

- A. The Board of Directors is obligated to provide complete, clear, correct and not misleading information to enable the shareholder to fully exercise his rights. This information is provided in a timely manner and is updated regularly.
- B. The company provides a means of providing information to the shareholder in clarity and detail, which includes a statement of company information that the shareholder can obtain and is provided to all shareholders of the same category.
- C. The company follows the most effective means of communicating with shareholders and does not discriminate between them in providing information.

Fourth: Communicating with shareholders

- A. The Board of Directors ensures the achievement of communication between the company and the shareholders, based on a common understanding of the company's strategic objectives and interests.
- B. The chairman and chief executive officer shall inform the rest of the board members of the shareholders' views and discuss them with them.
- C. It is not permissible for any of the shareholders to interfere in the business of the board of directors or the business of the executive management of the company unless he is a member of its board of directors or of its executive management, or his interference is through the General Assembly and according to its terms of reference or within the limits and conditions authorized by the board of directors in accordance with the relevant regulations.

Fifth: Nomination members of the Board of Directors

- A. The company announces on the website of the market information about candidates for membership of the board of directors, when publishing or directing the invitation to convene the general assembly, provided that this information includes a description of the candidates' experiences, qualifications, skills, jobs and previous and current memberships, and the company must provide a copy of this information in its head office and website.
- B. The cumulative vote must be used in the election of the Board of Directors, so that the right to vote for the share may not be used more than once.
- C. Voting in the general assembly is restricted to the candidates for membership of the board of directors whose information the company has announced in accordance with Paragraph (A) of this Article.

Sixth: Announcement of dividend distribution

- A. The company's articles of association indicate the percentage of net profits that will be distributed to shareholders after setting aside the

statutory reserve and other reserves.

- B. The Board of Directors must set a clear policy regarding the distribution of dividends in the interests of the shareholders and the company in accordance with the company's articles of association.
- C. The shareholder is entitled to his share in the profits in accordance with the General Assembly resolution issued regarding the distribution of profits to shareholders, or the decision of the Board of Directors to distribute interim profits, and the decision specifies the due date, the date of distribution, the total amount distributed and the share of each share of the nominal value, provided that the decision is implemented in accordance with what is stipulated. Regarding the regulatory controls and procedures issued in implementation of the Companies Law for listed joint stock companies.
- D. Eligibility for dividends shall be for shareholders registered in the shareholders 'records at the end of the day specified for vesting.

Dividend policy

- A. The company's articles of association indicate the percentage of net profits that will be distributed to shareholders after setting aside the statutory reserve and other reserves.
- B. The Board of Directors must set a clear policy regarding the distribution of dividends in the interests of the shareholders and the company in accordance with the company's articles of association.
- C. The shareholder is entitled to his share in the profits in accordance with the General Assembly resolution issued regarding the distribution of profits to shareholders, or the decision of the Board of Directors to distribute interim profits, and the decision specifies the due date, the date of distribution, the total amount distributed and the share of each share of the nominal value, provided that the decision is implemented in accordance with what is stipulated. Regarding the regulatory controls and procedures issued in implementation of the Companies Law for listed joint stock companies.
- D. Eligibility for dividends shall be for shareholders registered in the shareholders 'records at the end of the day specified for vesting.

And in accordance with Article Forty-Eight (48) and Article Forty-nine (49) of the Company's Articles of Association, which clarifies the controls for distributing and announcing profits, the sources and the amount of distribution, and the shareholders entitled to distribute profits according to the following:

First: The profits are distributed

- 01. (10%) of the net profits shall be set aside to form the statutory reserve of the company, and the General Assembly may decide to stop this deduction whenever the said reserve reaches (30%) of the paid capital.

- 02. The General Assembly, based on the proposal of the Board of Directors, may set aside (10%) of the net profits to form an agreement reserve to be allocated for a specific purpose or purposes.
- 03. The General Assembly may decide to form other reserves, to the extent that it serves the interest of the company or ensures that fixed profits are distributed as much as possible to the shareholders, and the aforementioned association may also deduct from the net profits amounts for the establishment of social institutions for the company's employees or to assist what may exist from these institutions.
- 04. From the remainder after that, a percentage representing (1%) at least of the company's paid-up capital shall be distributed to the shareholders.
- 05. The company may also distribute interim profits to its shareholders in a semi-annual or quarterly manner, based on an authorization issued by the General Assembly of the Board of Directors to distribute interim dividends to be renewed annually.

Second: Earning profits

The shareholder is entitled to his share of the profits in accordance with the decision of the General Assembly issued in this regard, and the decision specifies the date of entitlement and the date of distribution, and the eligibility of the profits shall be for the owners of the shares registered in the shareholders 'records at the end of the day specified for entitlement.

Dividends distributed during 2020.

The General Assembly, in its meeting No. 1 of 2020 on April 19, 2020, based on the recommendation of the Board of Directors in its meeting No. 2 of 2020 on February 26, 2020, agreed to distribute interim dividends in the amount of 11,250,000 riyals for the second half of the fiscal year ending on December 31, 2019 at the rate of seventy-five Halala for each share represents 7.5% of the nominal value of the share. The company announced on the Tadawul website on February 27, 2020 the recommendation of the Board of Directors to distribute interim dividends for the second half of the fiscal year ending on December 31, 2019, and the company announced the date The distribution of profits began on the date of May 10, 2020 in the bank accounts linked to the investment portfolios of the eligible shareholders, and the distribution was assigned to the Arab National Bank and an amount of 11,220,712 riyals was distributed and the remaining amount of 29,288 riyals was not distributed because the bank accounts of the shareholders did not match and the shareholders did not come to receive cash.

Table (29): The company's requests to the shareholder register

The number of company requests for the shareholder register	Request Date	Request Reasons
1	08-02-2020	Corporate actions - as a requirement to review the fiscal year
2	02-04-2020	Corporate actions - as a requirement for the first quarter 2020 review
3	19-04-2020	The General Assembly - the voting file of the association
4	28-04-2020	Profit file - to distribute the profits for the second half of 2019
5	08-07-2020	Corporate actions - as a requirement for the second quarter of 2020 review
6	08-09-2020	Corporate Actions - to inform top management about the ownership file
7	30-09-2020	Corporate Actions - as a requirement for the third quarter 2020 review
8	02-12-2020	Corporate Actions - to inform top management about the ownership file
9	31-12-2020	Corporate procedures - as a requirement to review the fiscal year 2020

Actions taken by the Board of Directors to inform its members of shareholders 'proposals and comments about the company and its performance.

No suggestions or remarks were received from the shareholders to direct the company's management during the year 2020, while all the comments and suggestions were discussed in the General Assembly meetings by the shareholders and members of the Board of Directors during the shareholders' invitation to do so during the meetings.

The General Assembly

The shareholders' general assemblies are concerned with all matters related to the company, and the general assembly, held in accordance with the statutory procedures, represents all shareholders in exercising their functions related to the company and performs its role in accordance with the provisions of the companies' law, its executive regulations, and the company's articles of association.

Table (26) the attendance record of the members of the Board of Directors to the General Assembly Meeting:

No.	Member's name	Register to attend the General Assembly Meeting 19/4/2020
1	Ahmed Hammoud Ibrahim Altheyab	✓
2	Tarek Abdulrahman Saleh Al Sadhan	✓
3	George Abdulkarim George Moussa	✓
4	Taha Mohammed Abdul Wahid Azhari	✓
5	Abdulrahman Mohammed Abdulrahman Al-Zweidi	●
6	Ahmed Hassan Ahmed Ali	✓

✓ Attended ○ Absent ● Resigned

Disclosure policies and procedures.

Without prejudice to the rules for offering securities, continuing obligations, and listing rules, the Board of Directors shall set written policies for disclosure, its procedures, and supervisory systems in accordance with the requirements of disclosure contained in the

Companies Law and the Capital Market Law - as it shall - and their implementing regulations, considering the following:

- That these policies include appropriate disclosure methods that enable shareholders and stakeholders to access financial and non-financial information related to the company, its performance, share ownership, and to assess the company's status in an integrated manner.
- Disclosure to shareholders and investors shall be without discrimination, in a clear, correct and not misleading manner, in a timely, regular, and accurate manner; This is to enable shareholders and stakeholders to exercise their rights to the fullest.
- That the company's website includes all the information required to be disclosed, and any data or other information published through other means of disclosure.
- Preparing reporting systems that include determining the information that must be disclosed, and the method for classifying it in terms of its nature or the periodicity of its disclosure.
- Review the disclosure policies periodically, and verify that they are consistent with best practices, and with the provisions of the Capital Market Law and its implementing regulations.

Conflict of interest in the board of directors

- It is not permissible for a member of the Board of Directors to have any direct or indirect interest in the business and contracts that are made for the account of the company except with prior authorization from the Ordinary General Assembly, renewed every year. An exception is made for the business that is carried out by way of public competition if the member of the board is the one with the best offer and the member of the board of directors must inform the board of his direct or indirect interest in the business and contracts that are made for the company's account, and this notification is recorded in the minutes of the meeting. This member may not participate in the deliberations related to this issue or vote on the decision issued in this regard by the Board of Directors and the shareholders' assemblies.
- It is not permissible for a member of the Board of Directors to participate in any business that would compete with the company or to compete with the company in one of the branches of the activity

that it engages in, unless he has obtained a previous license from the Ordinary General Assembly that is renewed every year allowing him to do so.

- A member of the Board of Directors is prohibited from accepting any power of attorney on behalf of the shareholders to attend the general assembly meetings of the shareholders.
- The board should consider the requirements of independence and cases of conflict of interest in accordance with the regulations issued by the Capital Market Authority, when appointing financial and legal advisors and auditors.
- The company is not permitted to extend a loan of any kind to any of the board members or shareholders, or to guarantee any loan contracted by any of them with others.
- It is not permissible for any of the members of the board of

directors and senior executives to accept gifts from any person who has business dealings with the company if those gifts would lead to a conflict of interest.

Conflict of interests related to the executive management and the company's employees

- The Board of Directors must be informed of any external work activities carried out by any executive official in the Department, and approval must be obtained from the Board on them, and they must be disclosed according to the laws and regulations in this regard.
- In the event that the executive officer or employee wants to do this, he must present the matter to the CEO of the company to study, evaluate and recommend the matter to the company's board of directors in preparation for issuing the appropriate decision regarding it.

The interests of the members of the Board of Directors of the company

Table (30): A list of the interests of some members of the Board of Directors of the company:

No.	Description	Type of relationship	Type of contract	Contract amount	Contract terms	Contract duration
1	Transactions deals between the company and Hana Food Industries Co.	Board chairman and company shareholder/ Ahmed Hammoud Ibrahim Altheyab, who is a board member, managing director and one of company owners	Sales of commodities to Hana Food Industries Co.	SAR 100 Million	Without discrimination or preferential terms	Year

The most important strategic board decisions during the year 2020:

Recommending and calling the General Assembly to amend the governance regulation.

- Recommendation and invitation to the general assembly to approve:
 - » Audit Committee regulation
 - » Fraud and Corruption Whistle blowing policy.
 - » Regulation of procedures in the Board of Directors
 - » Policies and criteria of board membership procedures
 - » Policies and criteria of procedures for membership of Board of Directors' committees
 - » Policies and criteria for executive management nomination procedures
 - » Nomination and Remuneration Committee regulation
 - » Governance Committee regulation
 - » Dividend policy
 - » Rewards policy
 - » Social Responsibility Policy

Board of Directors Declarations

Zahrat Al Waha For Trading Company board of directors declares confirms and acknowledges the following:

- » The account records are correctly prepared.
- » The internal control system was prepared on sound bases and implemented effectively.
- » There is no doubt about the company's ability to continue its activity.

The Board of Directors recommended during 2020 to the General Assembly the following:

- » Approval of the report of the Board of Directors for the financial year ended 31 December 2019.
- » Approval of the company auditor's report for the financial year ended 31 December 2019.
- » Approving the financial statements of the company for the financial year ended 31 December 2019.
- » Approval of the audit committee's recommendation regarding the selection of the external auditor from among the candidates to review the annual financial statements for the fiscal year 2020 and the quarterly quarter ended:
 - June 30, 2020.
 - September 30, 2020
 - March 31, 2021
- » And fixing his fees for the fiscal year 2020 and the quarters.
- » Approval of the company's board of directors' recommendation to distribute cash dividends for the second half of 2019, at the rate of seventy-five (75) halalas for each share, representing 7.5% of the nominal value of the share, with a total of 11,250,000 riyals, which represents 7.5% of the capital.
- » Approval of the business and contracts that have been concluded between the company and Hana Food Industries Company, in which a member of the Board of Directors Mr. Ahmed Hammoud Ibrahim Altheyab has a direct and indirect interest in it, and it is a contract for the sale of finished goods and products represented in miniature plastic bottles (preforms) and plastic caps for bottles With different sizes and weights, the sale and purchase of raw materials, packaging and packaging for a year, without discrimination or preferential terms, and the value of the transaction during the year 2019 amounted to 95,730,068 riyals sales and 1,773,334 riyals purchases.
- » Approval of the business and contracts that will be concluded between the company and Hana Food Industries Company, in which a member of the Board of Directors Mr. Ahmed Hammoud Ibrahim Altheyab has a direct and indirect interest in it, noting that the nature

of the transaction will be a contract for the sale of finished goods and products represented in miniature plastic bottles (Preforms) and plastic caps for flasks of different sizes and weights, selling and buying raw materials, packaging and packaging for a period of one year, without discrimination or preferential conditions, at an amount of 100,000,000 riyals.

- » Approval to absolve the members of the Board of Directors from liability for the fiscal year ending on December 31, 2019.
- » Approval of the amendment of the Corporate Governance Regulations
- » Approval of disbursing an amount of 300,000 riyals as a bonus for independent members of the Board of Directors for the fiscal

year ending on December 31, 2019.

- » Approval of authorizing the Board of Directors to distribute interim dividends in a semi-annual or quarterly manner for the fiscal year 2020.
- » To vote on the Board of Directors delegating the authority of the Ordinary General Assembly to the license mentioned in Paragraph (1) of Article 71 of the Companies Law, for a period of one year from the date of approval of the General Assembly or until the end of the session of the authorized Board of Directors, whichever is earlier, in accordance with the conditions mentioned in the regulatory controls and procedures Issued in implementation of the Companies Law for Listed Joint Stock Companies.

Company legal cases and penalties

1. The Board of Directors confirms that there are no legal cases were raised during the fiscal year 2020 from or against the company, whose value exceeds 5% of the company's net assets.
2. The Board of Directors confirms that there are no cases filed during the fiscal year 2020 against a member of the Board of Directors or one of the partners in the subsidiary companies or against any of the company's senior executives.

Table (31): Statement of the penalties imposed on the company during the year 2020:

#	Penalty	Reason of penalty	Penalty Authority	Ways to treat it and avoid it on future	Financial Effects
1	None	None	None	None	None

Related party transactions and balances for the fiscal year 2020

Table (32): Statement of related party transactions and balances for the fiscal year 2020:

No.	Related party	Relationship	Type of Relationship	Amount of Transactions/Contract					Contract duration
				Sales	Purchases	Proceeds	Payments	Other expenses/ income	
1	Hana Food Industries Co.	Transactions deals between the company and Hana Food Industries Co.	Board chairman and company shareholder/ Ahmed Hammoud Ibrahim Altheyab, who is a board member, managing director and one of company owners	52,996,673	113,367	63,100,000	-	-	Year

Related party transactions and balances for the fiscal year 2019

Table (33): Statement of related party transactions and balances for the fiscal year 2019:

No.	Related party	Relationship	Type of Relationship	Amount of Transactions/Contract					Contract duration
				Sales	Purchases	Proceeds	Payments	Other expenses/ income	
1	Hana Food Industries Co.	Transactions deals between the company and Hana Food Industries Co.	Board chairman and company shareholder/ Ahmed Hammoud Ibrahim Altheyab, who is a board member, managing director and one of company owners	95,730,068	1,773,334	93,200,000	-	-	Year





Social Responsibility

Social Responsibility

The Ordinary General Assembly Meeting sets - based on a recommendation from the Board of Directors -It is all that the company does in order to maximize its added value, which belongs to society as a whole, and social responsibility is the responsibility of every person in the company and not the responsibility of one administration or one director, and the social responsibility of the company comes from its commitment to various laws, especially those related to workers' rights, environmental protection and community development.

The social responsibility of the company is represented in the following points:

- Education in the field of science and technology
- Water and sustainable agriculture
- Environment protection
- Health



**Statement of Zakat and
legal payments repaid**

Statement of Zakat and legal payments repaid

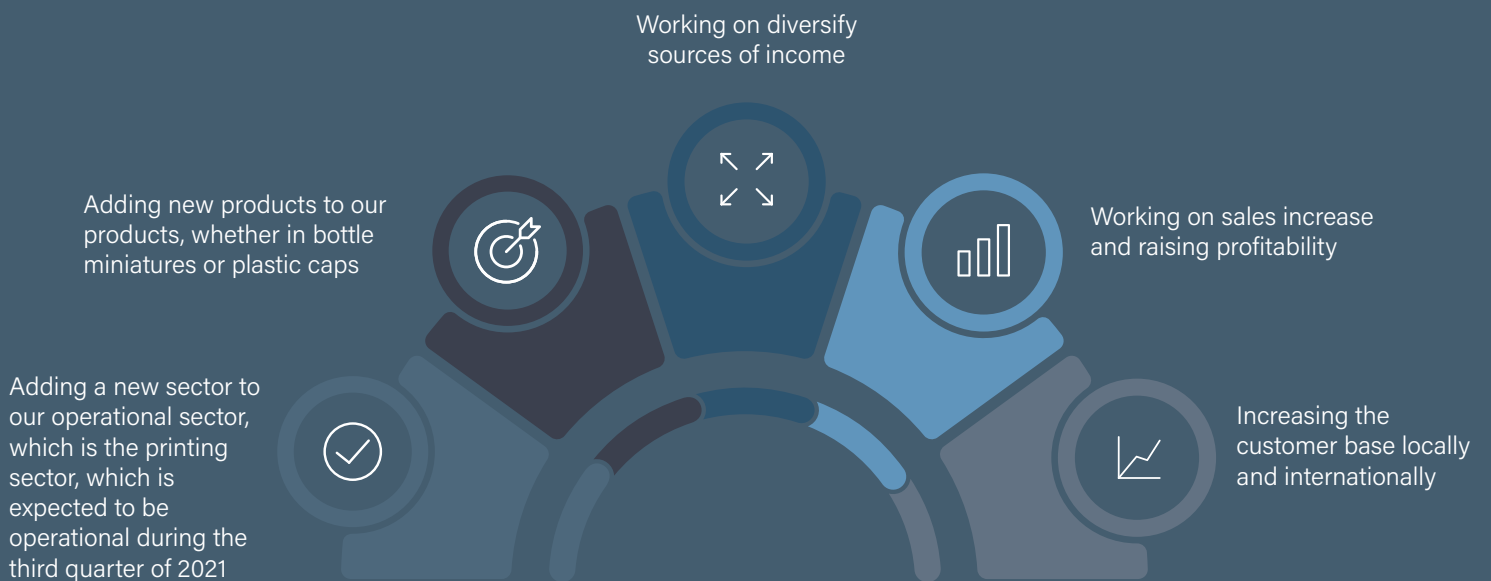
Below are the regular payments made during the fiscal year ending December 31, 2020.

Table (34) Zakat and regular payments:

Description	2020		Brief Description	Reasons
	Paid	Due until the end year 2020 and not paid.		
Zakat and income tax	7,731,469	3,245,227	The company's zakat paid for the year 2019 and the difference in the zakat assessment for the years from 2016 to 2018	The reason for the due and not paid, as the payment after submitting the zakat declaration for the year 2020
General Authorization for Social Insurance	376,973	45,128	Social insurance for the year 2020 for company employees	The amount due and not paid is the December insurance. It is paid in the following month
Labor Office fees	86,800	-	Labor office fees for residency renewal	-
Visas expenses	6,000	-	16 recruitment visas fees	-
Valued added tax	1,295,290	Debt 1,268,354	Value Added Tax (VAT) payable during the year	A balance due to the General Authority of Zakat and Income Tax

The focuses of our operational process in 2021

Our operation phases in 2021 are the following





Financial Statement



ZAHRA AL WAHA FOR TRADING COMPANY
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2020
together with the
Independent Auditor's Report



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Independent Auditor's Report

To the Shareholders of **Zahra Al Waha For Trading Company**
 A Saudi Joint Stock Company

Opinion

We have audited the financial statements of **Zahra Al Waha For Trading Company** ("the Company"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard (IFRS) that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Independent auditor's report (continued)

To the Shareholders of Zahra Al Waha For Trading Company
A Saudi Joint Stock Company

Key Audit Matter (1)

Refer to note (6-17) for the accounting policies related to revenue recognition.

Revenue recognition	How the matter was addressed in our audit
<p>During the year ended 31 December 2020, revenue from sales of SR 424.9 million was recognized.</p> <p>Revenue from sales is recognized when the customer obtains control of the goods and this is done when the goods are accepted and delivered to the customer's site and the sales invoice is issued in accordance with the requirements of IFRS 15 'Revenue from Contracts with Customers'.</p> <p>The recognition of revenue from sales was considered as one of the key audit matters since revenue from sales is one of the key performance measurement indicators that includes inherent risk of overstating revenue from sales.</p>	<p>Our audit procedures relating to recognition of revenue from sales included, among others, the following:</p> <ul style="list-style-type: none"> Assessed the appropriateness of the Company's accounting policies relating to revenue recognition from sales, including those relating to discounts and incentives, and assessed the compliance with the applicable accounting standards; Assessed the design, implementation, and effectiveness of the operation of the Company's internal controls on the revenue recognition from sales; Conducted analytical review procedures by analyzing revenue trends from sales for the current year according to available information and comparing them with the previous year and determining whether there are any significant trends or fluctuations that need additional assessment; Tested a sample of revenue from sales transactions during the year and assessed the appropriateness of management's estimates of performance obligations, if any; Performed cut-off procedures on the timing of revenue recognition from sales after the products were delivered to the customers and recognized during the correct accounting period; Inquired from the management at various levels to assess their knowledge of the risk of fraud and to determine if actual cases of fraud were observed when recognizing revenue from sales. Evaluating the adequacy of the financial statements disclosures.



Independent auditor's report (continued)

To the Shareholders of Zahra Al Waha For Trading Company
A Saudi Joint Stock Company

Key Audit Matter (2)

Refer to Note (6.4.2) and Note (12) relating to trade receivables.

Impairment of trade receivables	How the matter was addressed in our audit
<p>As at 31 December 2020, the trade receivables amounted to SR 167.1 million.</p> <p>The management of the Company has applied a simplified expected credit loss model to determine the impairment of the trade receivables in accordance with the requirements of IFRS 9 'Financial Instruments'.</p> <p>The expected credit loss model includes the use of historical trends and data for trade receivables, as well as the use of significant future assumptions relating to the Company and the economy in general and in light of the existence of the Covid-19 pandemic.</p> <p>Given that the expected credit loss model is based on substantial estimates and assumptions, we considered that applying the IFRS 9 and calculating the impairment of trade receivables as a key audit matter.</p>	<p>Our audit procedures relating to the impairment of trade receivables included, among others, the following:</p> <ul style="list-style-type: none"> Assessed the appropriateness of accounting policies for impairment of trade receivables balances; and assessed the compliance with the applicable accounting standards; Obtained an understanding of the procedure for determining the impairment of trade receivables, assessing the design, implementation and testing the operating effectiveness of management's internal controls in relation to credit sales, debt collection and estimation of impairment; Assessed the validity and classification of trade receivables in the ageing report by matching a sample of trade receivables ageing items with supporting documents and invoices; Assessed the underlying assumptions and estimates used by management, including those related to future economic events used to calculate the probability of default and the expected loss on default and tested the mathematical accuracy of the expected credit loss model; Engaged our specialists to review the approach used in the expected credit loss model, to assess its suitability for the Company's activity. Obtained reconciliations for a selected sample of trade receivables as at 31 December 2020 and took alternative procedures in the absence of a response from customers, which included examining documents supporting the balance as well as collections for the subsequent period after the date of the financial statements. Evaluating the adequacy of the financial statements disclosures.



Independent auditor's report (continued)

To the Shareholders of Zahra Al Waha For Trading Company

A Saudi Joint Stock Company

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA, the applicable requirements of the Regulations for Companies and the Company's By-laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.



Independent auditor's report (continued)

To the Shareholders of Zahra Al Waha for Trading Company
A Saudi Joint Stock Company

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosure, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **Zahra Al Waha for Trading Company**.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For KPMG Al Fozan & Partners
Certified Public Accountants

Dr. Abdullah Hamad Al Fozan
License No: 348

Date: 17 Rajab 1442H
Corresponding to: 1 March 2021





ZAHRA AL WAHA FOR TRADING COMPANY
(A SAUDI JOINT STOCK COMPANY)

Statement of Financial Position

As at 31 December 2020

(Saudi Riyals)

	<i>Notes</i>	31 December 2020	31 December 2019
<u>ASSETS</u>			
Property, plant and equipment	7	240,346,123	238,013,717
Investment properties	8	2,649,000	2,649,000
Intangible assets	9	1,678,633	929,915
Non-current assets		244,673,756	241,592,632
Inventories	10	77,497,264	43,397,705
Investments at FVTPL	11	22,336,709	--
Trade receivables	12	167,055,028	159,253,880
Prepayments and other receivables	13	22,729,696	20,173,480
Cash and cash equivalents		9,805,193	25,376,554
Current assets		299,423,890	248,201,619
Total assets		544,097,646	489,794,251
<u>EQUITY</u>			
Share capital	14	150,000,000	150,000,000
Statutory reserve	6-13	17,872,598	13,815,352
Retained earnings		84,604,414	59,339,206
Other reserves	15	(138,114)	28,810
Total equity		252,338,898	223,183,368
<u>Liabilities</u>			
Long-term loans	17-b	48,177,220	82,382,743
Employees' benefits	18-1	1,920,943	1,332,695
Non-current liabilities		50,098,163	83,715,438
Short-term loans	17-a	162,069,666	113,175,031
Long-term loans – current portion	17-b	39,718,046	46,404,878
Trade payables		29,621,600	13,634,608
Accrued expenses and other payables	16	5,817,685	4,887,564
Zakat provision	19	4,271,600	4,660,664
Dividend payables	23	161,988	132,700
Current liabilities		241,660,585	182,895,445
Total liabilities		291,758,748	266,610,883
Total Equity and Liabilities		544,097,646	489,794,251

These financial statements have been approved by the Board of Directors on 12 Rajab 1442H (corresponding to 24 February 2021) and signed on their behalf by:

Chairman
Ahmed Hamoud Al-Thiab

Chief Executive Officer
George Abdul Kareem Moussa

Chief Financial Officer
Mahmoud Mohammad Zaki

The accompanying notes from 1 to 29 form an integral part of these financial statements



ZAHRA AL WAHA FOR TRADING COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2020
(Saudi Riyals)

	<i>Notes</i>	For the year ended 31 December	
		2020	2019
Sales		424,850,419	519,757,535
Cost of sales	20	(350,665,072)	(431,297,189)
Gross profit		74,185,347	88,460,346
Other expenses / income		(523,471)	852,507
Selling and distribution expenses	21	(9,285,654)	(8,774,604)
General and administrative expenses	22	(7,191,665)	(7,139,962)
Operating profit		57,184,557	73,398,287
Unrealized losses from investments at FVTPL	11	(724,372)	--
Realized gain on sale of investments	11	354,618	--
Finance costs	17-c	(9,886,763)	(13,274,151)
Profit before Zakat		46,928,040	60,124,136
Zakat	19-5	(6,355,586)	(3,488,308)
Profit for the year		40,572,454	56,635,828
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit liability	18-1	(166,924)	(101,238)
Total other comprehensive loss		(166,924)	(101,238)
Total comprehensive income		40,405,530	56,534,590
Basic and diluted earnings per share (SR)	25	2.70	3.78

These financial statements have been approved by the Board of Directors on 12 Rajab 1442H (corresponding to 24 February 2021) and signed on their behalf by:

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Ahmed Hamoud Al-Thiab

Chief Executive Officer
George Abdul Kareem Moussa

Chief Financial Officer
Mahmoud Mohammad Zaki

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ZAHRA AL WAHA FOR TRADING COMPANY
(A SAUDI JOINT STOCK COMPANY)

Statement of Changes in Equity
For the year ended 31 December 2020
(Saudi Riyals)

<u>Note</u>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Other reserves</u>	<u>Total</u>
Balance as at 1 January 2019	150,000,000	8,151,769	34,616,961	130,048	192,898,778
The impact of the new IFRS standards	--	--	--	--	--
Restated balance as at 1 January 2019	150,000,000	8,151,769	34,616,961	130,048	192,898,778
Profit for the year	--	--	56,635,828	--	56,635,828
Other comprehensive loss	--	--	--	(101,238)	(101,238)
Total comprehensive income	--	--	56,635,828	(101,238)	56,534,590
Dividends distributed	--	--	(26,250,000)	--	(26,250,000)
Transferred to statutory reserve	--	5,663,583	(5,663,583)	--	0
Total transactions with shareholders of the Company	--	5,663,583	(31,913,583)	--	(26,250,000)
Balance as at 31 December 2019	150,000,000	13,815,352	59,339,206	28,810	223,183,368
Profit for the year	--	--	40,572,454	--	40,572,454
Other comprehensive loss	--	--	--	(166,924)	(166,924)
Total comprehensive income	--	--	40,572,454	(166,924)	40,405,530
Dividends distributed	--	--	(11,250,000)	--	(11,250,000)
Transferred to statutory reserve	--	4,057,246	(4,057,246)	--	--
Total transactions with shareholders of the Company	--	4,057,246	(15,307,246)	--	(11,250,000)
Balance as at 31 December 2020	150,000,000	17,872,598	84,604,414	(138,114)	252,338,898

These financial statements have been approved by the Board of Directors on 12 Rajab 1442H (corresponding to 24 February 2021) and signed on their behalf by:

Chairman
Ahmed Hamoud Al-Thiab

Chief Executive Officer
George Abdul Kareem Moussa

Chief Financial Officer
Mahmoud Mohammad Zaki

The accompanying notes from 1 to 29 form an integral part of these financial statements



ZAHRA AL WAHA FOR TRADING COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS

For the year ended 31 December 2020
(Saudi Riyals)

		For the year ended 31 December	
	<i>Note</i>	2020	2019
Cash flows from operating activities			
Income before Zakat		46,928,040	60,124,136
Adjustments for:			
Depreciation and amortization	(7, 9)	29,358,898	26,993,123
Employees' benefits	18-1	421,324	368,047
Gain from non-cash transactions		--	(327,823)
Gain on disposal of property, plant and equipment		--	(78,143)
Unrealized losses from investments at FVTPL	11	724,372	--
Realized gains on sale of investments	11	(354,618)	--
Finance costs	17-c	9,886,763	13,274,151
		86,964,779	100,353,491
Inventories		(34,099,559)	(10,633,248)
Trade receivables		(7,801,148)	16,404,704
Prepayments and other receivables		(2,556,216)	(13,998,534)
Trade payables		15,986,992	(4,033,484)
Accrued expenses and other payables		930,121	1,677,835
Zakat paid	19-3	(6,744,650)	(3,507,120)
Finance costs paid	17-c	(5,352,516)	(6,811,730)
Net cash generated from operating activities		47,327,803	79,451,914
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		--	78,143
Additions to property, plant and equipment	7	(32,440,022)	(21,663,002)
Additions to intangible assets	9	--	(40,000)
Purchase of investments at fair value through profit or loss	11	(34,385,978)	--
Proceeds from sale of investments	11	11,679,515	--
Net cash used in investing activities		(55,146,485)	(21,624,859)
Cash flows from financing activities			
Proceeds from loans	17-c	355,742,372	405,588,667
Repayment of loans	17-c	(352,274,339)	(428,500,022)
Dividends	23	(11,220,712)	(26,159,568)
Net cash used in financing activities		(7,752,679)	(49,070,923)
Net change in cash and cash equivalents		(15,571,361)	8,756,132
Cash and cash equivalents at beginning of the year		25,376,554	16,620,422
Cash and cash equivalents at the end of the year		9,805,193	25,376,554

The following significant non-cash transactions are excluded:

Eliminate customer indebtedness in exchange for acquisition of assets		--	2,321,177
Actuarial valuation losses	18-1	166,924	101,238
Transfer from property, plant and equipment to investment properties		--	2,649,000
Transfer from projects in progress to intangible assets	7, 9	906,014	966,708

These financial statements have been approved by the Board of Directors on 12 Rajab 1442H (corresponding to 24 February 2021) and signed on their behalf by:

Chairman Ahmed Hamoud Al-Thiab	Chief Executive Officer George Abdul Kareem Moussa	Chief Financial Officer Mahmoud Mohammad Zaki
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The accompanying notes from 1 to 29 form an integral part of these financial statements



ZAHRA AL WAHA FOR TRADING COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

1- ORGANIZATION AND PRINCIPAL ACTIVITIES

Zahra Al Waha Trading Company ("the Company") is a Saudi Joint Stock Company established under the Regulations for Companies in the Kingdom of Saudi Arabia on 10 Sha'aban 1424H (corresponding to 6 October 2003).

The Company was converted from a sole proprietorship to a Limited Liability Company with a capital of 50 million Saudi Riyals on 27 Safar 1437H (corresponding to 9 December 2015). In addition, it was converted from a Limited Liability Company to a Saudi Closed Joint Stock Company with a capital of SR 80 million on 3 Rabi' II 1438H (corresponding to 1 January 2017). It was converted from a Saudi Closed Joint Stock Company to a Saudi Public Joint Stock Company with a capital of SR 150 million on 26 Dhul-Hijjah 1438H corresponding to 17 September 2017.

The Company operates under Commercial Registration No. 1010190390 issued in Riyadh on 10 Sha'aban 1424H (corresponding to 6 October 2003) in the Kingdom of Saudi Arabia.

The Saudi Capital Market Authority approved the listing of the Company in the Saudi Stock Exchange (Tadawul) on 26 Dhul-Hijjah 1438H (corresponding to 17 September 2017).

Formal procedures to amend the Company's bylaws to convert it from a Saudi Closed Joint Stock Company into a Saudi Public Joint Stock Company were completed on 12 Rabi I 1439H (corresponding to 30 November 2017).

The Company carries out its activities through its branch in Al-Kharj under Commercial Registration No. 1011014061 issued in Riyadh on 22 Jumada II 1431H (corresponding to 4 June 2010).

The principal activities of the Company include the manufacture of semi-finished products from plastics, the manufacture of cans and boxes from plastics, the manufacture of bottles of various forms from plastics, the manufacture of products from plastics using the Roto mold method, under the industrial license No. 421102107495 dated 28 Safar 1442H (corresponding to 15 October 2020).

The Company's registered head office is located in the following address:

Zahra Al Waha For Trading Company
7449 Al Ihsa Street, Al Rabwa.
P.O. Box 2980, Riyadh 12814
Kingdom of Saudi Arabia

2- BASIS OF ACCOUNTING

The accompanying financial statements have been prepared in accordance with the International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization of Certified Public Accountants (SOCPA).

At the beginning of the financial year 2020, the Coronavirus (COVID-19) pandemic invaded the world, causing disruption in the economic and commercial sectors in general. The Company's management has proactively assessed the impact on its operations and has taken a series of preventive measures to ensure the health and safety of its employees and workers.

Despite these challenges, the Company's business and operations currently remain significantly unaffected. The basic demand from customers for the Company's products was not significantly affected, although there was a decrease in demand during certain periods during the year.



ZAHRA AL WAHA FOR TRADING COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

2- BASIS OF ACCOUNTING (CONTINUED)

Based on these factors, the Company's management believes that the Covid-19 pandemic did not have a material impact on the financial results that were reported for the year ended 31 December 2020.

The Company continues to closely monitor the development of the pandemic even though the management, at this time, is not aware of any expected factors that may change the impact of the pandemic on the Company's operations during or after 2021.

The Company's management also conducted an assessment on its ability to continue as a going concern, and it believes that the Company has sufficient resources to continue its business for the foreseeable future.

Moreover, the management does not have any significant doubts on the ability of the Company to continue as a going concern. Accordingly, the Company is still preparing the financial statements on the going concern basis.

The management of the Company is currently monitoring the situation and its impact on the Company's operation, cash flows and financial position.

Management believes, based on their assessment, that the Company has sufficient liquidity available to continue to meet its financial commitments for the foreseeable future as and when they become due.

The Company's fiscal year begins on January 1 and ends on December 31 of each year.

These financial statements have been approved by the Board of Directors for issuance on 12 Rajab 1442H (corresponding to 24 February 2021).

3- BASIS OF MASUREMENT

The financial statements have been prepared using the historical cost basis except for the following:

- Accruals for employees' end-of-service benefits provision, which is calculated at the present value of future obligations.
- Valuation of investments at fair value through profit or loss (FVTPL)

4- FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are prepared in Saudi Riyals, which is the functional and presentation currency of the Company.

5- USE OF ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, costs, assets and liabilities and the disclosure of contingent liabilities, at the financial period date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

These estimates and assumptions are based on historical experience and factors including expectations of future events that are appropriate in the circumstances and are used to determine the carrying amounts of assets and liabilities that are not independent from other sources.



ZAHRA AL WAHA FOR TRADING COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

5- USE OF ESTIMATES, ASSUMPTIONS AND JUDGMENTS (CONTINUED)

The estimates and assumptions are reviewed on an ongoing basis.

Accounting estimates recognized are reviewed in the period and future periods, and the effect of the change in the current period is recognized prospectively.

The significant judgments made by management in applying the Company's accounting policies are consistent with those disclosed in the previous year's financial statements.

Information about estimates, assumptions and judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements are as follows:

5-1 Impairment of trade receivables

The impairment of trade receivables is assessed and evaluated using assumptions about the risk of default and the rates of loss incurred.

The Company uses the judgments when making these assumptions and selects the necessary inputs to calculate the impairment based on the Company's previous experience and current and future market conditions at the end of each reporting period in accordance with the requirements of IFRS 9 (Note 12).

5-2 Useful lives and remaining values of the property, plant and equipment

The Company's management determines the estimated useful life of its property, plant and equipment for calculating depreciation.

This estimate is determined after considering expected usage of the assets and physical wear and tear.

The management periodically reviews the estimated useful lives, residual values, if any and the depreciation method to ensure that the method and periods of depreciation are consistent with the expected pattern of economic benefit of the assets.

No change was made to the useful lives during the year (Note 7).

5-3 Measurement of defined benefit obligations

The cost of employees' defined benefit obligations is determined in accordance with actuarial valuations.

An actuarial valuation involves making various assumptions which may differ from actual developments in the future.

These include the determination of the discount rate, future salary increases and mortality rates.

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit liability is highly sensitive to changes in these assumptions.

All assumptions are reviewed on the date of the preparation of financial statements (Note 18).

5-4 Impairment of inventories

Inventories are measured at net realizable value, which is the estimated selling price in the normal course of business, less estimated cost of completion and estimated selling expenses.

The amount of write-off and any reduction of inventory to net realizable value and all obsolete inventory losses must be recognized as expenses in the same period of the write-off event or incurred loss (Note 10).



ZAHRA AL WAHA FOR TRADING COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

6- SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used when preparing these financial statements are in line with what is stated in the notes to the financial statements of the Company for the year ended 31 December 2019.

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

6-1 Property, plant and equipment

6-1-1 Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and accumulated impairment loss, if any.

When parts of an item of property, plant and equipment have different useful lives, they are calculated as separate item (key elements) of property, plant and equipment.

Any gains or losses on the disposal of any items of property, plant or equipment are recognized in statement of profit or loss.

6-1-2 Subsequent expenditures

Subsequent expenditure is capitalized only when it entails future economic benefits as a result of these expenditure.

6-1-3 Depreciation

Depreciation is calculated for the cost of items of property, plant and equipment less their estimated residual values, if any using the straight line method over their estimated useful lives, and depreciation is recognized in profit or loss.

Land is not depreciated.

The estimated useful lives for the items of property, plant and equipment for the current and comparative years are as follows:

Buildings	33 years
Machinery	10-13.3 years
Motor vehicles	4-5 years
Tools and equipment	10 years
Furniture	10 years
Computers	5 Years

The depreciation methods, useful lives and residual values are reviewed in each reporting period and adjusted if necessary.

Capital work in progress is not depreciated. Capital work in progress is stated at cost less impairment loss, if any.



ZAHRA AL WAHA FOR TRADING COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6-2 Intangible assets

6-2-1 Recognition and measurement

Intangible assets, including computer software acquired by the Company and with finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses, if any.

6-2-2 Amortization

Amortization is calculated to reduce the cost of intangible assets less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and amortization is recognized in profit or loss.

The estimated useful lives are 10 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

6-3 Borrowing costs

The Company capitalizes borrowing costs that are directly related to the acquisition, construction or production of assets that are qualified to bear the borrowing cost as part of the cost of that assets.

All other borrowing costs are recognized as an expense in the period in which they are incurred.

6-4 Financial assets

6-4-1 Initial recognition and measurement

A financial asset (unless it is a trade receivable without a significant financial component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

6-4-2 Classification and subsequent measurement

Financial assets – classification

On initial recognition, financial assets are classified as measured at: amortized cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value through Profit and Loss (FVTPL).

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset shall be measured at amortized cost if both of the following conditions are met and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



ZAHRA AL WAHA FOR TRADING COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6-4 Financial assets (continued)

6-4-2 Classification and subsequent measurement (continued)

Financial assets – classification (continued)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The subsequent measurement of financial assets depends on their classification, as described below:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in statement of profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. Amortized value is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. Any gain or loss on derecognition is recognized in statement of profit or loss.
Financial assets at FVOCI - Debt investments	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in statement of profit or loss. Other net gains and losses are recognized in statement of other comprehensive income. On derecognition, gains and losses accumulated in statement of other comprehensive income are reclassified to statement of profit or loss.
Financial assets at FVOCI - Equity investments	These assets are subsequently measured at fair value. Dividends are recognized as income in statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in statement of other comprehensive income and are never reclassified to statement of profit or loss.

6-4-2 Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses (ECL) on debt instruments that are measured at amortized cost or at FVOCI, trade receivables and financial guarantee contracts.

No impairment loss is recognized for investments in equity instruments. The amount of ECL reflects changes in credit risk since initial recognition of the respective financial instrument.

The Company applies the simplified approach to calculate impairment on trade receivable and this always recognizes lifetime ECL on such exposures.

ECL on these financial assets are estimated using a flow rate based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company applies the general approach to calculate impairment.

Lifetime ECL is recognized when there has been a significant increase in credit risk since initial recognition and 12-month ECL is recognized when the credit risk on the financial instrument has not increased significantly since initial recognition.



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6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6-4 Financial assets (continued)

6-4-2 *Impairment of financial assets (continued)*

The assessment of whether credit risk of the financial instrument has increased significantly since initial recognition is made through considering the change in risk of default occurring over the remaining life of the financial instrument.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition.

In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available.

The Company considers the default in case of trade receivables occurs when a customer balance moves into the "Inactive" category based on its debt age analysis.

For all other financial assets, the Company considers the following as constituting an event of default as historical experience indicates that receivables that meet either of the following criteria are generally not to be recoverable:

When there is a breach of financial covenants by the counterparty; or
Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay his dues.

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the percentage of the loss if there is a default) and the exposure at default. The assessment of the probability of default is based on historical data adjusted by forward-looking information.

The Company recognizes an impairment loss or reversals in the statement of profit or loss and other comprehensive income for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in the statement of profit or loss and other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

6-5 Financial liabilities

6-5-1 Recognition and measurement

Financial liabilities are classified, on initial recognition, as measured at amortized cost or financial liabilities at fair value through profit or loss.

All financial liabilities other than financial liabilities at fair value through profit or loss are recognized initially at fair value net of directly attributable transaction costs.

Financial liabilities at fair value through profit or loss are measured initially and subsequently at fair value, and any related transaction costs are recognized in statement of profit or loss as incurred.



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6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6-6 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated.

The carrying amount of the Company's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU").

If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized

6-7 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost is determined based on the weighted average method and includes expenditure incurred in bringing inventories to their existing location and condition.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses.

The amount of any write-down of inventories to net realizable value and all losses of inventories shall be recognized as an expense in the same period of the write-off event or incurred loss .

Goods are purchased with discounts granted by suppliers on the basis of total purchases over a 12-month period.

These discounts are recognized on the basis of accruals based on achieving the agreed quantities in the contracts per year.



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6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6-8 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are not recognized for future operating losses.

When the obligation relates to long periods of time, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The unwinding of the discount is recognized as finance cost.

6-9 Employees' benefits

6-9-1 *Short-term benefits obligations*

Short-term benefits are those amounts expected to be settled wholly within 12 months at the end of the year in which employees render services that give rise to the benefits.

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves and benefits-in-kind that are expected to be settled wholly within twelve months after the end of the year in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

6-9-2 *Service benefit obligations*

The Company provides end-of-service benefits to its employees in accordance with the requirements of articles 87 and 88 of the Labor Law in Kingdom of Saudi Arabia.

The entitlement to these benefits, using actuarial techniques is based upon the employees' basic salary, allowances and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are recognized over the service period.

Employees' benefit obligation plans are not funded. Accordingly, valuations of the obligations under those plans are carried out by an independent actuaries based on projected unit credit method and the liability is recorded based on an actuarial valuation.

The liability recognized in the statement of financial position in respect of the employees' end-of-service benefits is the present value of the employees' service benefits at the end of the reporting period.

The present value of the employees' end-of-service benefits is determined by discounting the estimated future cash outflows using interest rates of high-quality bonds that have terms of maturity approximating to the terms of the end-of-service benefits obligation.

Past-service costs are recognized immediately in the statement of profit or loss.

The interest cost is calculated by applying the discount rate to the balance of the defined benefit obligation. Such cost is recognized in the statement of profit or loss.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or included in equity in the statement of other comprehensive income in the year in which they arise.



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6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6-10 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at banks and investments with original maturity of three months or less, which are available to the Company without any restrictions.

6-11 Zakat

Zakat is calculated in accordance with the Regulations of the General Authority of Zakat & Tax ("GAZT") in the Kingdom of Saudi Arabia and on an accrual basis.

The Zakat expense is charged to the statement of profit or loss.

The differences, if any, resulting from the final assessments are adjusted in the year when assessments are finalized.

6-12 Foreign currency transactions

Transactions denominated in foreign currencies are translated to the functional currency of the Company at the exchange rates ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences are generally recognized in profit or loss

6-13 Statutory reserve

In accordance with the Company's by-laws, the Company must set aside 10% of its annual net income as a statutory reserve until it reaches 30% of the share capital.

This reserve is not available for distribution.

The reserve allocation is computed on an annual basis.

6-14 Dividends

Dividends are recorded in the financial statements in the period in which they are approved by the shareholders of the Company, and they are recorded in the financial statements in the period that is approved by the shareholders of the Company.

Interim dividends are recorded in the period that is approved by the Board of Directors delegated by the General Assembly of shareholders.

6-15 Earnings per share

The Company presents basic and diluted earnings per share (EPS).

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held, if any.

Diluted EPS, if any is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares.

6-16 Investment properties

Investment property is measured at cost, any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. Land is not depreciated.



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6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6-17 Revenue recognition

Type of product	Nature and timing of satisfaction of performance obligation, including significant payment terms
Plastic preforms and caps.	Revenue is recognized when customers obtain control of goods when the goods are delivered to customers and have been accepted. Invoices are generated and revenue is recognized at that point in time.
	Some contracts allow customers to return goods and replace them with other new goods, and no refunds are permitted.

The Company recognizes revenue according to IFRS 15, using the following five-steps model:

Step 1: Identify the contract with the customer	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2: Identify the performance obligations	A performance obligation is a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price	The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price.	For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Revenue recognition	The Company recognizes revenue (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

6-18 Expenses

Selling and distribution expenses are costs arising from the Company's efforts underlying marketing activities and function.

All other expenses are classified as administrative expenses.

Allocation of common expenses between cost of sales, selling and distribution and administrative expenses, where required, is made on a reasonable basis with regards to the nature and circumstances of the common expenses.

Segment reporting disclosure agree with the information reviewed by the chief operating decision maker. The Company discloses information on the applicable measurement basis, such as the nature and effect of any differences between measurements used in the information on the sectors to report and those measurements used.



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6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6-19 Segment reporting

An operating segment is a group of assets and processes that jointly engage in the rendering of products or services subject to risks and rewards that differ from those of other business segments and which are measured in accordance with the reports used by the executive management.

A geographical segment is a sector associated with providing products or services within a specific economic environment that are exposed to risks and returns that are different from those related to sectors operating in other economic environments.

6-20 New standards, amendments to standards and interpretations

There are no new standards issued. However, there are a number of amendments to standards that are effective from 1 January 2020 which are described in the Company's annual financial statements but have no material impact on the financial statements of the Company.

6-21 New standards and amendments issued:

A number of new standards are effective for annual periods beginning after 1 January 2020, and earlier application is permitted.

The Company elected not to early adopt the standards referred to, and the Company's management is currently assessing the impact of adopting standards and amendments mentioned below in case they have an impact on the Company.

Effective for annual periods beginning on or after	New standards and amendments
1 January 2021	Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16 – Interest rate reform - second phase
1 January 2022	Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
	Annual Amendments to IFRSs (2018 - 2020 Cycle)
	Property, Plant and Equipment: Proceeds Before Intended Use (Amendments to IAS 16)
	Reference to the Conceptual Framework (Amendments to IFRS 3)
1 January 2023	Amendments to IAS 1 “Presentation of Financial Statements” related to classification of liabilities
	IFRS 17 - Insurance Contracts and amendments to IFRS 17 - Insurance Contracts
Available for optional adoption/ effective date deferred indefinitely	Sale or contribution of assets between the investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)

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7- PROPERTY, PLANT AND EQUIPMENT

a) The movement in property, plant and equipment during the year ended 31 December is as follows:

Cost:	Lands	Buildings	Machinery	Motor vehicles	Tools and equipment	Furniture	Computers	Work in Progress	Total
Balance at 1 January 2020	30,452,860	35,415,867	261,804,202	2,945,750	282,853	661,141	1,546,514	13,970,241	347,079,428
Additions	--	--	3,888,212	235,000	7,750	15,374	118,087	28,175,599	32,440,022
Transfers during the year	--	33,000	19,215,737	--	--	--	365,025	(19,613,762)	--
Transferred to intangible assets	--	--	--	--	--	--	--	(906,014)	(906,014)
Balance at 31 December 2020	30,452,860	35,448,867	284,908,151	3,180,750	290,603	676,515	2,029,626	21,626,064	378,613,436
Accumulated depreciation:									
Balance at 1 January 2020	--	3,002,312	103,170,351	1,859,416	126,968	202,956	703,708	--	109,065,711
Depreciation during the year	--	1,062,904	27,191,688	552,599	28,547	66,853	299,011	--	29,201,602
Balance at 31 December 2020	--	4,065,216	130,362,039	2,412,015	155,515	269,809	1,002,719	--	138,267,313
Net book value:									
At 31 December 2020	30,452,860	31,383,651	154,546,112	768,735	135,088	406,706	1,026,907	21,626,064	240,346,123
Cost:									
Balance at 1 January 2019	30,452,860	20,706,670	239,992,891	2,935,200	274,233	503,582	1,152,899	30,949,000	326,967,335
Additions	2,649,000	1,494,406	882,921	492,600	18,300	161,194	225,364	18,388,217	24,312,002
Disposal	--	--	--	(482,050)	(9,680)	(3,635)	(88,836)	--	(584,201)
Transfers during the year	--	13,214,791	20,928,390	--	--	--	257,087	(34,400,268)	--
Transferred to intangible assets	--	--	--	--	--	--	--	(966,708)	--
Transferred to investment properties	(2,649,000)	--	--	--	--	--	--	--	(2,649,000)
Balance at 31 December 2019	30,452,860	35,415,867	261,804,202	2,945,750	282,853	661,141	1,546,514	13,970,241	347,079,428
Accumulated Depreciation:									
Balance at 1 January 2019	--	2,152,713	77,934,461	1,815,008	105,258	144,619	603,605	--	82,755,664
Depreciation during the year	--	849,599	25,235,890	526,458	31,390	61,972	188,939	--	26,894,248
Disposal	--	--	--	(482,050)	(9,680)	(3,635)	(88,836)	--	(584,201)
Balance at 31 December 2019	--	3,002,312	103,170,351	1,859,416	126,968	202,956	703,708	--	109,065,711
Net book value:									
At 31 December 2019	30,452,860	32,413,555	158,633,851	1,086,334	155,885	458,185	842,806	13,970,241	238,013,717

- The balance of work in progress represents the amount paid for the purchase of a production line of caps, injection molds and a printing line. The total projected cost of these projects is SR 23.51 million, and these projects are expected to be completed during the third quarter of 2021. As at 31 December 2020, the net book value of land, buildings and plant is mortgaged against the loans amounting to SR 95,635,226 (31 December 2019: SR 115,457,807) (Note 17-B).
- The transfers from projects in progress during the year represent the value of the machinery for operating a new production line.



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8- INVESTMENT PROPERTIES

The Company carries all its investment properties at cost.

The investment properties consist of plots of land in Muzahmiya, with a total area of 27,226 square meters.

As at 31 December 2020, the fair value of the investment properties was SR 3.17 million (2019: SR 2.65 million).

The fair value of the investment properties was determined by an external real estate valuer independent of the Company (The valuer: Bader Najm Al-Mutairi, License No. 1210000303).

The fair value of the investment properties is classified as Level 2 for the fair value based on the inputs to the valuation method used.

9- INTANGIBLE ASSETS

The movement in intangible assets during the year ended 31 December is as follows:

	31 December 2020	31 December 2019
Cost:		
Balance at 1 January	1,056,208	49,500
Additions	--	40,000
Transferred from work in progress	906,014	966,708
Balance at 31 December	1,962,222	1,056,208
Accumulated amortization:		
Balance at 1 January	126,293	27,418
Amortization during the year	157,296	98,875
Balance at 31 December	283,589	126,293
Net book value:	1,678,633	929,915

10- INVENTORIES

	31 December 2020	31 December 2019
Raw materials	50,351,242	23,438,483
Finished goods	25,157,156	18,365,270
Spare parts, supplies and oils	1,988,866	1,593,952
	77,497,264	43,397,705

11- INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2020	31 December 2019
Investments in a equity investment portfolio	1,120,703	--
The number of units invested in	19,931	--
Unit price (SR)	22,336,709	--
Total investments	22,336,709	--



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11. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

During the year, the Company invested in equity investment portfolio traded in the Saudi Stock Exchange (Tadawul), which represent investing in the equity of a diversified group of companies. The portfolio is managed by Al-Istithmar Company for Securities and Brokerage - Al-Istithmar Capital according to signed agreement.

Equity investments of 1,120,703 shares were measured at fair value, based on quoted market prices for shares on the Saudi Stock Exchange (Tadawul).

This valuation at fair value resulted in unrealized losses of SR 724,372 and realized profits of SR 354,618 for the year ended 31 December 2020, which were presented in the statement of profit or loss. The movement of investments for the year ended 31 December is as follows:

	31 December 2020	31 December 2019
Cost of investment as at January 1	--	--
Purchase of investment units	34,385,978	--
Sale of invested units	(11,679,515)	--
Realized gains on sale of investments	354,618	--
Fair value differences for units	(724,372)	--
Balance as at 31 December	22,336,709	--

12- TRADE RECEIVABLES

	31 December 2020	31 December 2019
Trade receivables	147,674,928	135,371,296
Due from related parties (Note 27)	42,705,247	47,207,731
	190,380,175	182,579,027
Less: impairment of trade receivables	(23,325,147)	(23,325,147)
	167,055,028	159,253,880

The movement in impairment of trade receivables is as follows:

	31 December 2020	31 December 2019
Balance at the beginning of the year	23,325,147	23,325,147
Provided during the year	--	--
Balance at the end of the year	23,325,147	23,325,147

Information on the Company's exposure to credit and market risks including the aging of trade receivables is included in Note 26-2.

13- PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2020	31 December 2019
Advances to suppliers	1,419,773	4,427,343
VAT, net	1,268,354	426,495
Pre-paid expenses	920,952	1,019,642
Letter of guarantee (Note 19)	1,117,604	1,117,604
Suppliers - debit balances (*)	17,942,703	13,103,233
Other assets	60,310	79,163
	22,729,696	20,173,480

* This balance represents the value of the discounts due for the year from the main supplier of the Company.



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14- SHARE CAPITAL

As at 31 December 2020, the Company's authorized and fully paid up share capital amounted to SR 150 million (2019: SR 150 million), divided into 15 million ordinary shares (2019: 15 million ordinary shares) of SR 10 per share (2019: SR 10 per share).

15- OTHER RESERVES

The balance represents the actuarial (loss)/gain resulting from re-measurement of employees' benefits, the balance as of 31 December 2020 SR 138,114 (2019: SR 28,810).

16- ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2020	31 December 2019
Accrued expenses – electricity	1,029,017	1,114,337
Accrued expenses - unbilled goods	769,560	--
Accrued expenses – consultations	405,250	852,020
Accrued air tickets	402,596	292,222
Leave entitlements	339,970	258,088
Advances from customers	245,903	616,849
Accrued bonus	971,247	571,438
Remunerations and allowances of the Company's Board of Directors and Committees (Note 27)	499,000	574,000
Others	1,155,142	608,610
	<u>5,817,685</u>	<u>4,887,564</u>

17- LOANS

a) Short-term loans

	31 December 2020	31 December 2019
Short-term loans (*)	162,069,666	113,175,031
	<u>162,069,666</u>	<u>113,175,031</u>

(*) These short-term loans are mainly used to finance the working capital requirements of the Company. The company did not use these short-term loans to finance capital expansions (purchase of fixed assets).

b) Long-term loans

	31 December 2020	31 December 2019
Local banks	32,821,593	57,966,231
Saudi Industrial Development Fund (SIDF)	56,630,000	76,016,000
	89,451,593	133,982,231
Less: deferred interests	(1,556,327)	(5,194,610)
	<u>87,895,266</u>	<u>128,787,621</u>
Presented in the statement of financial position as follows:		
Non-current portion shown under non-current liabilities	48,177,220	82,382,743
Current portion shown under current liabilities	39,718,046	46,404,878
	<u>87,895,266</u>	<u>128,787,621</u>
<i>Total loans</i>	<u>249,964,932</u>	<u>241,962,652</u>

As at 31 December 2020, the Saudi Industrial Development Fund loan is secured against the lands, buildings and machines of the Company's plant with a book value of SR 95,635,226 (31 December 2019: SR 115,457,708) and is due for repayment over a period of 1 to 5 years (Note 7).



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17- LOANS (CONTINUED)

c) Total movement in loans

	31 December 2020	31 December 2019
Balance as at 1 January	241,962,652	258,411,586
Proceeds from loans	355,742,372	405,588,667
Repayment of loans	(352,274,339)	(428,500,022)
Finance costs	9,886,763	13,274,151
Finance costs (paid)	(5,352,516)	(6,811,730)
Balance as at 31 December	<u>249,964,932</u>	<u>241,962,652</u>

d) Bank facility agreements

The Company obtained credit facilities from local banks, long term and short term loans and letters of credit with a financing ceiling of SR 311.4 million.

These facilities were obtained under Murabaha and Tawarruq agreements to finance working capital and some expansions and capital expenditure requirements.

As at 31 December 2020, unused facilities and open letters of credit amounted to SR 61.5 million (2019: SR 149.9 million).

The credit facility agreements are secured by promissory notes issued by the Company.

The facility agreements include covenants that relate to, among other things, restrictions on dividends, and they require a minimum net value and certain financial ratios that must be maintained accordingly.

During the year ended 31 December 2020, financing agreements with some local banks were renewed at values amounting to SR 265.53 million, with the aim of purchasing and importing raw materials, financing working capital, and financing capital expansion. These agreements have been renewed by guaranteeing promissory notes issued by the Company.

As at 31 December 2020, the Company obtained credit facilities from the Saudi Industrial Development Fund amounting to SR 33.50 million (31 December 2019: SR 4.01 million).

The borrowings include certain covenants. Breach of these covenants in the future may lead to renegotiation.

The management monitors covenants on a monthly basis, and in the event of a breach expected in the future, the management takes the necessary measures to ensure compliance.

All of the borrowings mentioned above are borrowings that comply with the provisions of Islamic Sharia.



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18- EMPLOYEES' BENEFITS

General description of a defined benefit plan for employees:

The Company is required to pay end of service benefits (defined benefit plan) in accordance with the Saudi Labor Law.

The benefit of the end of service benefit equals half the salary of the last month of each of the first five years of service, including the fractions of the year, in addition to the salary of the last month in full for each year of the remaining / subsequent service, including fractions of the year in the event of termination or retirement of the employee.

Evaluation methodology and key assumptions for the actuarial study:

In compliance with the requirements of IAS 19 "Employees' Benefits", the projected unit credit method has been used to determine plan liabilities.

Under this method, the expected cost of the benefit is calculated for each benefit to which the plan members who are on the job are entitled.

The expected cost of benefit and the length of service are adopted at the valuation date and the benefit is calculated based on the last salary expected to be received by the employee at the retirement age.

The plan's liabilities are the current actuarial value of the accrued benefits expected to all employees who are on employed by the Company at the date of valuation.

Key Assumptions

As per IAS19, the actuarial assumptions shall be unbiased and mutually compatible.

The assumptions are the Company's best estimate of the variables that will determine the ultimate cost of providing the end of service benefit.

The principal assumptions used are:

The Company manages end of service benefits plans in accordance with the Saudi Arabian labor law. The post-employment benefits plans are unfunded.

18-1 Movement in employees' benefits obligation

The following table shows a reconciliation from the opening balances to the closing balances for the defined benefit liability:

	31 December 2020	31 December 2019
Balance at the beginning of the year	1,332,695	863,410
Included in statement of profit or loss		
Current service cost	384,092	374,894
Interest cost	55,009	49,084
(Paid) during the year	(17,777)	(55,931)
	421,324	368,047
Included in other comprehensive income		
Losses of actuarial revaluation	166,924	101,238
Balance at the end of the year	1,920,943	1,332,695

18-2 Actuarial assumptions

The principal actuarial assumptions at the reporting date (expressed as weighted average) are as follows:

	31 December 2020	31 December 2019
Discount rate	3.00%	3.75%
Future growth in salary	5.00%	5.00%



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18- EMPLOYEES' BENEFITS (CONTINUED)

Assumptions regarding future mortality have been based on published statistics and mortality tables.

18-3 Sensitivity analysis

Reasonably possible changes in the reporting date of one of the actuarial assumptions relevant to the assumption that other assumptions are remain unchanged may affect the defined benefit obligations amount as follows:

	31 December 2020		31 December 2019	
	Increase	Decrease	Increase	Decrease
Discount rate (1 % movement)	(1,689,309)	2,202,532	(1,170,014)	1,530,524
Future Salary Growth Rate (1% change)	2,193,760	(1,691,334)	1,525,898	(1,170,369)

Although the analysis does not take into account the full distribution of expected cash flows under the plan, it provides a rough approximation of the sensitivity of the assumptions.

19- ZAKAT PROVISION

- 19.1 Zakat declarations were filed for the years from 2012 to 2015, and the General Authority of Zakat and Tax (GAZT) has assessed these years with the amount of SR 1,026,375. These objections are still pending with the General Secretariat of Tax Committees until the date of preparing these financial statements. Furthermore, the Company made a provision for the total amount of these Zakat assessments and believes that the outcome of these objections will be in its favor.
- 19.2 Zakat declarations were filed for the years from 2016 to 2018, and GAZT has assessed these years with the amount of SR 11,083,063. The Company objected to the Zakat assessments for these years during the regulatory period. GAZT partially accepted the objection, and accordingly, after studying the objection, it issued an amended assessment of SR 3,586,926. The Company agreed to the amended assessment and paid the amount due under the amended assessment. The Company confirms that it did not receive any other differences after this assessment.
- 19.3 The Company filed the Zakat declaration for the year 2019, the Zakat payable has been paid based on this declaration, and this declaration is under review by GAZT. A Zakat certificate was issued for this year 2019, and it is valid until 30 April 2021.
- 19.4 Zakat provision for the current year is calculated as follows:

	31 December 2020	31 December 2019
Equity, opening provisions and other Adjustments	324,631,165	317,814,250
Book value for long term assets	(244,673,756)	(241,592,632)
Total	79,957,409	76,221,618
Total adjusted for the effect of the taxpayer's fiscal year days from the Hijri year (354/365)	82,441,961	78,590,086
Zakat profit for the year	47,367,141	60,941,702
Zakat base	129,809,102	139,531,788

- 19.5 The movement in zakat provision during the year was as follows:

	31 December 2020	31 December 2019
Balance at the beginning of the year	4,660,664	4,679,476
Provided during the year	3,245,227	3,488,308
Zakat adjustments	(476,567)	--
Zakat assessment differences from previous years	3,586,926	--
Charged to the statement of profit or loss and other comprehensive income	6,355,586	3,488,308
Paid during the year	(6,744,650)	(3,507,120)
Balance at the end of the year	4,271,600	4,660,664



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20- COST OF SALES

	<i>For the year ended 31 December</i>	
	2020	2019
Raw material cost	296,335,821	376,202,514
Depreciation	27,206,913	26,310,776
Electricity	12,570,659	14,003,871
Salaries and related costs	7,838,670	7,593,221
Others	6,713,009	7,186,807
	<u>350,665,072</u>	<u>431,297,189</u>

21- SELLING AND DISTRIBUTION EXPENSES

	<i>For the year ended 31 December</i>	
	2020	2019
Transportation expenses	7,449,873	6,978,550
Selling commissions	183,116	153,407
Salaries and wages	682,506	652,477
Depreciation	26,620	28,809
Miscellaneous expenses	943,539	961,361
	<u>9,285,654</u>	<u>8,774,604</u>

22- GENERAL AND ADMINISTRATIVE EXPENSES

	<i>For the year ended 31 December</i>	
	2020	2019
Professional and consultancy fees	1,371,283	1,060,973
Salaries and wages	3,655,625	3,482,736
Defective goods	139,695	97,189
Depreciation and amortization	418,469	344,537
Remunerations and allowances of the Company's Board of Directors and Committees	499,000	931,000
Miscellaneous expenses	1,107,593	1,223,527
	<u>7,191,665</u>	<u>7,139,962</u>

23- DIVIDENDS PAID

In its meeting held on 19 April 2020, the Extraordinary General Assembly approved the distribution of cash dividends for the second half of the fiscal year ended 31 December 2019, at an amount of SR 0.75 per share and with a total amount of SR 11,250 million of the retained earnings, representing 7.5% of the share capital (2019: SR 26.250 million).

As at 31 December 2020, dividends that were not received by shareholders amounted to SR 161.988 (2019: SR 132.700).



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24- CAPITAL COMMITMENTS, CONTINGENT LIABILITIES AND OTHER LIABILITIES

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of obligations cannot be reasonably measured.

Contingent assets are not recognized but are disclosed where an inflow of economic benefits is probable.

As 31 December 2020, contingent liabilities related to uncovered letter of credit amounted to SR 46,198,340 (31 December 2019: SR 5,140,625).

As at 31 December 2020, the capital commitments related to projects in progress amounted to SR 1,881,513, represent mainly in contracting for a new production line (31 December 2019: SR 12,238,818).

The Company has commitments for the full value of the promissory notes with the full value of the loans granted to the Company.

25- EARNINGS PER SHARE

Basic and diluted earnings per share

Basic earnings per share is calculated by dividing income for the year attributable to the Company's ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The diluted earnings per share are the same as the basic earnings per share as the company has no diluted instruments.

	31 December 2020	31 December 2019
Income for the year	40,572,454	56,635,828
<u>No. of shares</u>		
Weighted average number of shares (Note 14)	15,000,000	15,000,000
Basic and diluted earnings per share (Saudi Riyals)	2.70	3.78

26- FINANCIAL INSTRUMENTS – ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.



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26- FINANCIAL INSTRUMENTS – ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described as follows based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Fair value measurement using the minimum input required for the fair value measurement (unobservable inputs).

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis using level 1 or level 2 indicators, the company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The table below shows the carrying values and fair values of financial assets and financial liabilities including their levels in the fair value hierarchy. It does not include fair value information on financial assets and financial liabilities that are not measured at fair value if the carrying amount is reasonably close to the fair value.

26- FINANCIAL INSTRUMENTS – ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

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26- FINANCIAL INSTRUMENTS – ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

		31 December 2019				Fair value
		Carrying amount	Amortized cost	FVOCI	Total	
Financial assets						
Trade receivables	--	159,253,880	159,253,880	--	--	159,253,880
Cash and cash equivalents	--	25,376,554	25,376,554	--	--	25,376,554
Suppliers - debit balances (Note 13)	--	13,103,233	13,103,233	--	--	13,103,233
Total	--	197,733,667	197,733,667	--	--	197,733,667
Financial liabilities						
Loans	--	113,175,031	113,175,031	--	--	113,175,031
Short-term						
Loans	--	82,382,743	82,382,743	--	--	82,382,743
Long-term						
Borrowings - current portion	--	46,404,878	46,404,878	--	--	46,404,878
Trade payables	--	13,634,608	13,634,608	--	--	13,634,608
Total	--	255,597,260	255,597,260	--	--	255,597,260

The Company is exposed to the following risks arising from financial instruments:

- credit risk;
- Liquidity risk
- Market risk



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26- FINANCIAL INSTRUMENTS – ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

26-1 Risk management framework

Board of Directors

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors are responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

Audit committee

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and review the adequacy of the risk management framework in relation to the risks faced by the Company.

The risks faced by the Company and the way these risks are mitigated by management are summarized below:

26-2 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The fair value of financial assets represents the maximum credit exposure.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The Board of Directors established a credit policy according to which each new customer is evaluated individually for creditworthiness before contracting him and accepting him as a customer with the Company.

The Company's review includes external ratings, if they are available, and in some cases of bank references.

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 120 days per year for customers.

The Company has an allowance for impairment that represents the best estimate of incurred losses in respect of trade receivables (Note 12).

Assets amounting to SR 217.1 million (31 December 2019: SR 197.7 million) of total assets amounting to SR 543.4 million (31 December 2019: SR 489.7 million) are subject to credit risk.

The significant concentrations of the Company's risks by sector and geographical region are assessed in Notes 26-2-1 and 28-2.



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26- FINANCIAL INSTRUMENTS – ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

	31 December 2020	31 December 2019
Trade receivables	167,055,028	159,253,880
Cash and cash equivalents	9,805,193	25,376,554
Investments at FVTPL	22,336,709	--
Suppliers - debit balances (Note 13)	17,942,703	13,103,233
	<u>217,139,633</u>	<u>197,733,667</u>

26-2-1 Credit quality of financial assets

As at 31 December 2020, the trade receivables balances include a balance of SR 42.5 million (31 December 2019: SR 61.6 million) for two of the Company's customers.

At 31 December 2020, the ageing analysis of trade receivables was as follows:

	31 December 2020	31 December 2019
Current (not past due)	89,881,159	100,151,212
1-90 days	44,660,338	47,089,264
91-180 days	26,993,029	9,289,233
181-270 days	12,625,030	8,471,549
271-360 days	2,241,770	3,836,217
More than 360 days	13,978,849	13,741,552
Balance	<u>190,380,175</u>	<u>182,579,027</u>

Management believes that the amounts that have not been impaired and that are past due for more than 90 days are still fully collectible based on the previous payment behavior and comprehensive analysis of the customer's credit risk, including the customer's underlying credit ratings, if available.

The Company establishes a provision for all balances past due for more than 270 days (2019: 270 days). As at 31 December 2020, the allowance for doubtful debts amounted to SR 23,325,147 (Note 12) (2019: SR 23,325,147).

As at 31 December 2020, the Company maintains cash and cash equivalents of SR 9.8 million (31 December 2019: SR 25.4 million) with banks having sound credit rating.

26-3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 90 days.

The Company also monitors the level of expected cash inflows on trade and other receivables, with expected outflows of cash on trade and other payables.

The Company has unused bank facilities and open letters of credit amounted of SR 61.5 million (31 December 2019: SR 149.9 million) as at the date of the statement of financial position to meet liquidity requirements (Note 17-d).



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26- FINANCIAL INSTRUMENTS – ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

The following is an analysis of the undiscounted contractual maturities of the Company's financial liabilities as at 31 December 2020.

<u>31 December</u> <u>2020</u>	<u>Less than one</u> <u>year</u>	<u>From one</u> <u>year to</u> <u>3 years</u>	<u>More than 3</u> <u>years</u>	<u>Accrued</u> <u>interests for</u> <u>future</u> <u>periods</u>	<u>Total</u> <u>contractual</u> <u>agreements</u>	<u>Carrying</u> <u>amount</u>
<i>Non-derivative financial liabilities</i>						
Loans	201,787,713	48,177,219	--	2,521,409	252,486,341	249,964,932
Trade payables	29,621,600	--	--	--	29,621,600	29,621,600
Accrued expenses and other payables	5,817,685	--	--	--	5,817,685	5,817,685
	237,226,998	48,177,219		2,521,409	287,925,626	285,404,217

<u>31 December</u> <u>2019</u>	<u>Less than one</u> <u>year</u>	<u>From one</u> <u>year to</u> <u>3 years</u>	<u>More than 3</u> <u>years</u>	<u>Accrued</u> <u>interests for</u> <u>future</u> <u>periods</u>	<u>Total</u> <u>contractual</u> <u>agreements</u>	<u>Carrying</u> <u>amount</u>
<i>Non-derivative financial liabilities</i>						
Loans	159,579,909	71,752,743	10,630,000	5,194,610	247,157,262	241,962,652
Trade payables	13,634,608	--	--	--	13,634,608	13,634,608
Accrued expenses and other payables	4,887,564	--	--	--	4,887,564	4,887,564
	178,102,081	71,752,743	10,630,000	5,194,610	265,679,434	260,484,824

The Company has no significant liquidity risks.

26-4 Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

26-4-1 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to fluctuations in foreign exchange rates.

The Company is not exposed to fluctuations in foreign exchange rates during the normal course of business, as the Company's main transactions are in Saudi riyals and US dollars.

Since the Saudi Riyal is pegged against the US Dollar, there are no significant risks associated with transactions and balances denominated in US Dollars.



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26- FINANCIAL INSTRUMENTS – ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

26-4-2 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises from long-term borrowings. Borrowings approved at variable interest rates expose the Company to interest rate risk on cash flows.

		Increase / decrease in base points related to commission rates	Effect on income of the year
<u>31 December 2020</u>	SR	+100	(2,499,649)
	SR	-100	2,499,649
<u>31 December 2019</u>	SR	+100	(2,419,627)
	SR	-100	2,419,627

26-4-3 Capital management

The Board of Directors' policy is to maintain a sufficient capital base to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board of Directors monitors the capital on the basis of debt ratio.

This ratio is calculated based on (adjusted net debt) divided by (adjusted equity and adjusted net debt).

Net debt is calculated as total borrowings (including "short and long term" bank borrowings as shown in the statement of financial position) less cash and cash equivalents.

Adjusted equity is calculated as "equity" as described in the statement of financial position plus adjusted net debt.

The Company's strategy was to keep the adjusted debt-to-equity ratio adjusted to moderate limits. The debt ratios at 31 December were as follows:

	At 31 December 2020	At 31 December 2019
Total loans	249,964,932	241,962,652
Less: Cash and cash equivalents	(9,805,193)	(25,376,554)
Adjusted net debt (a)	240,159,739	216,586,098
Total equity	252,338,898	223,183,368
Adjusted equity and net debt (b)	492,498,637	439,769,466
Adjusted debt ratio from adjusted equity (a) / (b)	49%	49%

When managing the capital, the Company aims to protect the Company's ability to continue as going concern as it can continue to provide returns to shareholders and other stakeholders.

The Company manages capital structure in the context of economic circumstances and the characteristics of the risks of principal assets. In order to maintain or adjust capital structure, the Company may adjust dividends paid for shareholders and issue new shares.



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27- RELATED PARTY TRANSACTION

27-1 In the ordinary course of its activities, the Company transacts business with related parties including companies owned by some shareholders, Board of Directors and key management personnel of the Company.

Related party transactions entered during the year and related balances as included in the statement of financial position are as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2019
<u>Transactions:</u>		
Sales of goods to Hana Water Company	52,996,673	95,730,068
Purchases of goods from Hana Water Company	113,367	1,773,334
Annual salaries, allowances and remuneration for Key Management Personnel	2,888,204	2,758,865
Allowance to attend meeting of the Company's Board of Directors and Committees	144,000	189,000
Board of Directors' remunerations	430,000	742,000
<u>Balances</u>		
Due from related parties included in trade receivables (Hana Water Company) (Note 12)	42,705,247	47,207,731
Key Management Personnel included in other receivables	78,479	86,301
Key management personnel included under other payables	47,000	71,000
Key Management Personnel End of Service Benefits	640,215	433,617
Allowance to attend meeting of the Company's Board of Directors and Committees included under accrued expense (Note 16)	144,000	144,000
Board of Directors remuneration included under accrued expenses (Note 16)	355,000	430,000

28- SEGMENT INFORMATION

28-1 Basis for segmentation

The Company has the following strategic sectors, which are its operational sectors. These sectors offer different products and services, and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations of each reporting segment.

Industry Group	Nature of segment's businesses
Plastic bottles preforms	The principal activity includes manufacturing and selling of plastic preforms.
Plastic caps	The principal activity includes manufacturing and selling of plastic caps.

The Company's chief executive officer reviews the internal management reports of each division on monthly basis.



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28- SEGMENT REPORTING (CONTINUED)

28-2 Information about reporting segments

Information related to each reportable segment is set out below.

Segment profit (loss) before Zakat is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries:

	Segment reporting		
	Plastic bottles preforms segment	Plastic caps segment	Total
<u>SR</u>			
<u>For the year ended 31 December 2020</u>			
Sales	352,403,119	72,447,300	424,850,419
Cost of sales	(301,636,659)	(49,028,413)	(350,665,072)
Gross profit	50,766,460	23,418,887	74,185,347
Other income	(440,792)	(82,679)	(523,471)
Selling and distribution expenses	(7,141,223)	(2,144,431)	(9,285,654)
General and administrative expenses	(6,182,166)	(1,009,499)	(7,191,665)
Operating profit	37,002,279	20,182,278	57,184,557
Finance costs	(8,482,094)	(1,404,669)	(9,886,763)
Income before Zakat	28,520,185	18,777,609	47,297,794
<u>As at 31 December 2020</u>			
Segments Net assets	116,993,915	37,532,074	154,525,989
<u>For the year ended 31 December 2019</u>			
Sales	442,757,824	76,999,711	519,757,535
Cost of sales	(384,871,435)	(46,425,754)	(431,297,189)
Gross profit	57,886,389	30,573,957	88,460,346
Other income	388,639	463,868	852,507
Selling and distribution expenses	(6,829,750)	(1,944,854)	(8,774,604)
General and administrative expenses	(6,323,570)	(816,392)	(7,139,962)
Operating profit	45,121,708	28,276,579	73,398,287
Finance costs	(11,821,693)	(1,452,458)	(13,274,151)
Income before Zakat	33,300,015	26,824,121	60,124,136
<u>As at 31 December 2019</u>			
Segments net assets	114,364,400	46,142,952	160,507,352



ZAHRA AL WAHA FOR TRADING COMPANY
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28- SEGMENT REPORTING (CONTINUED)

28-2 Information about reporting segments (Continued)

Company's sales in the local market and export sales are allocated as follows:

<u>Revenue for the year ended</u>	<u>Local sales</u>	<u>Export sales</u>	<u>Total sales</u>
31 December 2020	303,166,337	121,684,082	424,850,419
31 December 2019	396,056,298	123,701,237	519,757,535

Export sales are as follows:

	<i>For the year ended 31 December</i>	
	<u>2020</u>	<u>2019</u>
Yemen	103,161,707	106,313,178
Oman	7,194,097	9,184,124
Bahrain	6,073,336	5,040,904
Sudan	3,087,224	1,819,267
Kuwait	2,114,918	1,155,284
Jordan	52,800	188,480
Total export sales	121,684,082	123,701,237

28-3 The main customer and supplier

As at 31 December 2020, sales from the main two customers of the Company represent 45% of the Company's total revenue in the amount of SR 191.9 million (31 December 2019: 40% in the amount of SR 208.2 million) of the Company's total sales.

As at 31 December 2020, the balances of local customers amounted to SR 157.4 million (31 December 2019: SR 156.6 million) and the balances of export customers as at 31 December 2020 amounted to SR 33 million (31 December 2019: SR 26 million).

As at 31 December 2020, purchases from the major supplier of the Company represent 90% of total purchases of raw materials amounting to SR 313.1 million (31 December 2019: 94% amounting to SR 382.3 million) of the Company's total purchases.

29- SUBSEQUENT EVENTS

- On 24 January 2021, the Company signed a loan contract with the Saudi Industrial Development Fund in the amount of SR 12.65 million, for the period from 24 January 2021 to 12 January 2028, for the purpose of financing the purchase of fixed assets.

The Company provided a collateral against the value of the loan.

- The Board of Directors, at its meeting held on 24 February 2021 (corresponding to 12 Rajab 1442H), recommended distributing cash dividends amounting to SR 15 million for the fiscal year 2020 at SR 1 per share. To be disbursed to the restricted stakeholders at the end of the second trading day following the date of holding General Assembly of the shareholders of the company, for which its timing will be announced subsequently after obtaining the necessary approvals from the competent authorities.

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شركة زهرة الواحة للتجارة
Zahrat Al Waha for Trading Company

