



Board of Directors' Annual Report For The Year 2020

National Metal Manufacturing & Casting Company (MAADANIYAH)



الشركة الوطنية لتصنيع وسبك المعادن
National Metal Manufacturing & Casting Co.

Saudi Joint Stock Company شركة سعودية مساهمة
Paid Up Capital SR 255,564,450 رأس المال المدفوع ريال
Commercial Register No. 2055002251 سجل تجاري رقم

**To: The Shareholders of National Metal Manufacturing & Casting Co.
(Maadaniyah)**

In Greatings,,

The board of directors (BoDs) of National Metal Manufacturing & Casting Company is pleased to submit to the shareholders the annual report for the performance of the company for the year ended 31/12/2020 supported with the audited financial statements and the accompanying notes and the auditor report for the year ended 31/12/2020.

The report and the financial statements reflect the performance of the company and a summary of its activities and the future plans, as per the following details:

First: Activities of the company:

National Metal Manufacturing & Casting Co. (Maadaniyah) established pursuant to ministerial decree number (253) dated 13 Rabi' Al-Awwal 1411 H corresponding (02 October 1990), and registered as Saudi Joint stock company by the commercial registration number (2055002251) dated 16 Jumada Al-Awwal (03 December 1990), issued from Jubail city.

The activities of the company are the production and marketing of pre-stressed concrete strands, spring wires, armouring wires, high carbon strengthening stranded wires for holding electrical conductors, welding wires, bolts and nuts, steel bolts of different types, produced in Wire Drawing & Related Products Plant (ASLAK) in Jubail Industrial City, industrial license number (412) dated 04/11/1405 H.

The company also owns two other plants in the Dammam 2nd Industrial City, industrial license number (360) dated 29/10/1403 H, namely Axles, Foundries & Spare Parts Plant – the first Plant specialized in the production and marketing of axles and spare parts for trucks and trailers, and the second is specialized in producing all metal casting.





The following table explain the contribution of each business unit to the volume of the company's operations and sales:

| S.N | Activities | Sales Value (SAR '000) | % |
|-------|-------------------------------------|------------------------|------|
| 1 | Wire Drawings & Related Products | 136,250 | 66% |
| 2 | Axls, Foudry & Spare Parts Products | 69,712 | 34% |
| Total | | 205,962 | 100% |

Second: Future Plans & Risks:

A) Plans and achievements:

- 1- During 2020, sales achieved in an amount of SAR 206 Million with decrease of 22% compared to the sales last year because of decrease in the market demand of the company products in the local and export markets. The activities and result of the operations of the company affected by Corona pandemic as the company adhered to the declared procedures imposed by the concerned entities to breakout the spread of the virus.
- 2- The company expect improvement in the results during 2021 due to the expected improvement in demand of the products in the local and export markets as well as the signs of emergence from the effects of the corona pandemic after the approval of the vaccines - and the declaration of government of the Kingdom of Saudi Arabia new large – scale projects in Neom and Qiddiya. Also the Gulf reconciliation may has positive impact toward the sales of the company in the Gulf markets.
- 3- The steel wire rod is the main raw material for the basic products & the highest cost element. The company is working to minimize the effects of the steel prices fluctuations by close follow up the prices and issue the purchase orders & fix the prices on time, in addition to effective programs and plans to reduce the other elements of the cost.
- 4- The work is ongoing to establish a factory to produce Valves used for oil, gas and petrochemical in partnership with European company specialized in this sector, and a plot of land for the project is allotted at King Salman Energy Park in Eastern region (SPARK).
- 5- The work is still continuing to establish The Saudi Automobile Company specialized in manufacturing automobiles and their parts, the articles of association has been signed with the National Automobiles Manufacturing



company, and the land was allotted in Jubail Industrial City for the project, the company owns 10% of the capital of the project.

- 6- The company will continue to increase its market share of the major products utilizing the available production capacity and maintain the quality and after sales services.
- 7- The company will continue it's plans for a new feasible industrial investment, and to increase the production capacity for the current products.
- 8- The company maintained its human resources despite the negative results due to the effects of the Corona pandemic, in addition to the recruitment and training of Saudi nationals to enhance Saudization program and provide reasonable working environment to enhance job stability.

B) Risks:

1- Raw materials:

Raw materials constitute major part of products cost, accordingly ,the company may be exposed to the risk of prices fluctuations of the main raw materials. To limit these risks, the company is devoting efforts to minimize this effect by closely follow up of the steel prices in the local and export markets.

2- Utilities:

Electricity and water are included within the cost elements of production; the increase in the power prices is a factor that affects the ability of the company to compete in international markets.

3- Marketing:

The company markets its products in the local and neighboring markets, and because of the status of the current international economy, and the declining demand in some big countries, an intense competition is expected with international producers, and the company is working to eliminate this effect through:

- a- Focus on the product quality.
- b- After sales services.
- c- Provide special prices and services to maintain customer loyalties.



4- Credit Risks:

Credit risk is that risk on party will fail discharge an obligation and casue the other party to incur a financial loss. The company has established procedures to manage credit exposure including evaluation of customer credit worthiness, formal credit approvals, assigning credit limits, monitoring the outstanding receivable, maintaining receivable ageing details and ensuring the close follow up.

5- Trade Receivable:

The customer's credit risks management made by each business unit according to the policies and procedures applied by the company. The policy of the company deals with parties of credit worthiness. Credit limits are set for each customer based on internal rating criteria. Trade receivables have not interest, generally have a credit period at face value. Guarantees are not generally required, but they can be used under certain circumstances as well as letters of credit in certain markets, particularly in less developed markets. The company reviews the receivable amount for each customer of trade receiveable individually at the end of the reporting period to ensure that a provision for doubtful debts is sufficient for the non-recoverable amounts. In addition, an impairment analysis is also performed at each reporting date based on facts and circumstances available at that date to determine the expected losses.

6- Other Financial Assets:

This comprises mainly of deposits with banks and other receivables. Credit risk arising from these financial assets is limited. Banks and recognized financial institutions have high credit ratings assigned by the international credit rating agencies.

7- Liquidity Risks:

The liquidity risks are the risks 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



stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact or extreme circumstances that cannot reasonably be predicted and force majeure events, such as natural disasters.

8- market Risks:

The market risks are the risks that changes in market prices, such as foreign exchange rates and interest rates will affect the company's income or the value of its holding or financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

9- Currency Risks:

The company exposure to currency risk is insignificant as majority of the transactions are denominated in U.S. Dollar, which is pegged to Saudi Riyals historically. In respect of other monetary assets and liabilities denominated in foreign currencies, the company ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

10- Interest Rate Risks:

The interest rates risk is the risk that the value of financial instruments or their associated cash flows will fluctuate due to changes in market commission rates. The company has no significant commission-bearing assets as at December 31, 2020 and December 31, 2019. Term deposits are fixed rate and therefore not subject to interest rate risk. However, as at December 31, 2020 and December 31, 2019, the company's liabilities are subject to commission / interest rate risk and the company is continuing monitoring its exposure to that risk.



11- Capital Management:

The primary objective of the company's capital management is to ensure that it maintains a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The company manages its capital to ensure that it will be able to continue as a going concern and provide returns to their shareholders. The company management reviews the capital structure on a regular basis and decides on a healthy mix of debt and equity structure.

Third: Assets and liabilities of the company and its results of operations for the last five years:

(A) Assets, liabilities and Shareholders' Equity

(Value in SAR '000)

| Description | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|----------|---------|---------|---------|---------|
| Fixed Assets | 180,169 | 186,338 | 196,927 | 210,198 | 225,357 |
| Other long-term Assets | 10,642 | 13,274 | 46,380 | 48,190 | 45,262 |
| Current Assets | 223,745 | 252,744 | 340,126 | 266,229 | 275,565 |
| Total Assets | 414,556 | 452,356 | 583,433 | 524,617 | 546,184 |
| Paid up Capital | 281,121 | 281,121 | 281,121 | 281,121 | 281,121 |
| Reserves | 27,173 | 27,173 | 27,173 | 26,720 | 26,720 |
| Accumulated (loss) Profit | (40,157) | 217 | 64,472 | 68,192 | 102,224 |
| Shareholders' Equity | 268,137 | 308,511 | 372,766 | 376,033 | 410,065 |
| Long-term loans | 47,167 | 53,324 | 62,354 | 25,979 | 56,790 |
| Other Liabilities | 31,573 | 30,900 | 25,298 | 23,346 | 22,772 |
| Current Liabilities | 67,679 | 59,621 | 123,015 | 99,259 | 56,557 |
| Total liabilities | 146,419 | 143,845 | 210,667 | 148,584 | 136,119 |
| Total Liabilities & Shareholders' Equity | 414,556 | 452,356 | 583,433 | 524,617 | 546,184 |

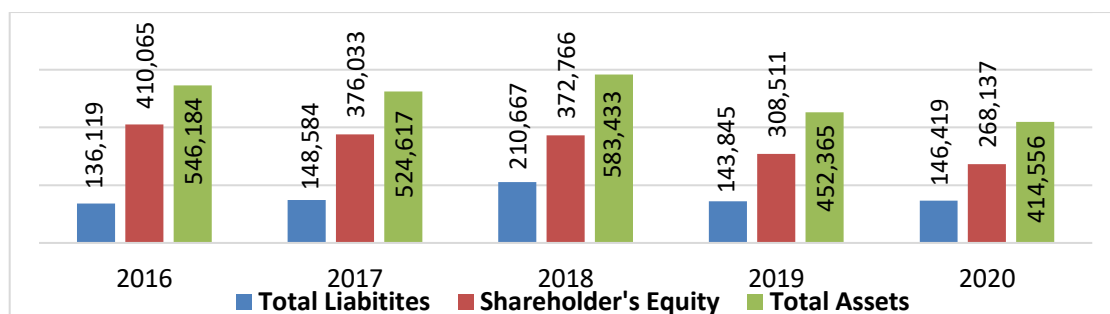
- Some figures are modified in 2016 due to applying IFRS



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Chart for Assets, liabilities, and Shareholders' Equity:(Value in SR '000)



(B) Statement of Income

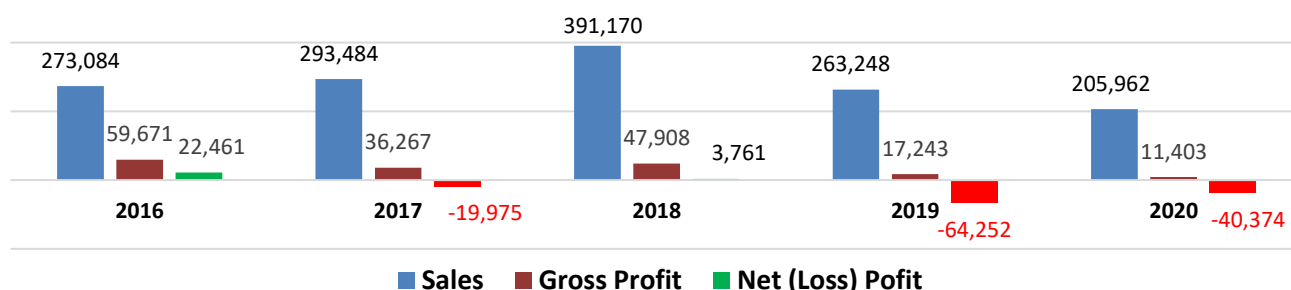
(Value in SAR '000)

| Description | 2020 | 2019 | 2018 | 2017 | 2016 |
|---------------------------------------|-----------|----------|---------|----------|---------|
| Sales | 205,962 | 263,248 | 391,170 | 293,484 | 273,084 |
| Cost of Sales | (194,559) | 246,005 | 343,262 | 257,217 | 213,413 |
| Gross Profit | 11,403 | 17,243 | 47,908 | 36,267 | 59,671 |
| Administrative and marketing Expenses | 31,565 | 33,049 | 34,762 | 32,786 | 30,977 |
| Other Income (Expenses) - Net | (14,533) | (2,874) | (3,569) | (13,201) | 17 |
| Impairment of Goodwill | ---- | 40,085 | ---- | 4,915 | ---- |
| Zakat | 5,679 | 5,491 | 5,816 | 5,340 | 6,250 |
| Net (loss) profit | (40,374) | (64,256) | 3,761 | (19,975) | 22,461 |

- Some figures are modified in 2016 due to applying IFRS

Chart for Sales, gross profit and net profit (loss):

(Value in SAR '000)





Fourth: Geographical analysis for the total revenues of the company:

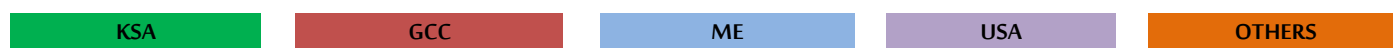
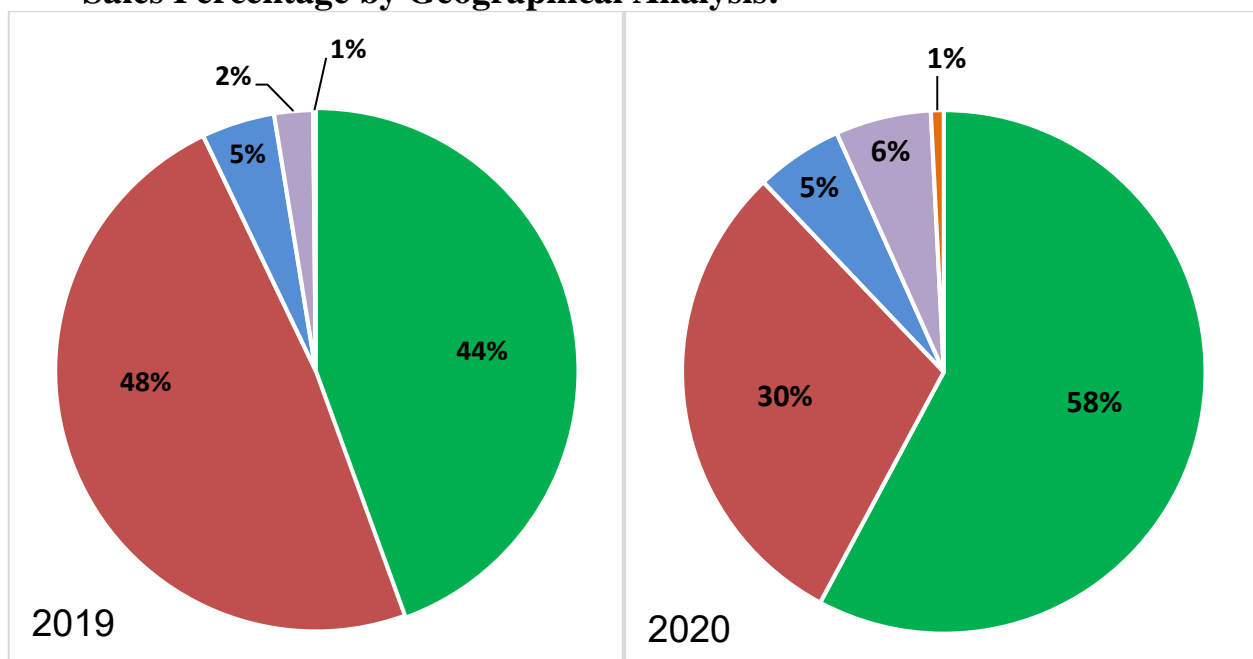
The company revenues achieved through marketing its products in the local and export markets.

The following table shows the geographical distribution of the company's sales.

(Value in SAR '000)

| Year | Region | KSA | GCC | ME | USA | Others | Total |
|------|--------|---------|---------|--------|--------|--------|---------|
| | | | | | | | |
| 2020 | Value | 119,142 | 61,947 | 11,091 | 12,185 | 1,597 | 205,962 |
| 2019 | Value | 116,983 | 127,530 | 11,969 | 6,336 | 430 | 263,248 |

- Sales Percentage by Geographical Analysis:



Fifth: Operating Results:

Sales achieved during 2020, an amount of SAR 206 million is less by 22% compared to the achieved sales last year due to decreases in demand during 2020, the following table



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shows the major items that caused variances in the results of 2020 compared to the results of 2019:

(Value in SAR '000)

| Description | 2020 | 2019 | Variances + / (-) | Variance % + / (-) |
|---|----------|----------|----------------------|-----------------------|
| Sales | 205,962 | 263,248 | (57,286) | (22%) |
| Cost of sales | 194,559 | 246,005 | (5,446) | (21%) |
| Gross profit | 11,403 | 17,243 | (5,840) | (34%) |
| Operation expenses | 31,566 | 30,608 | 958 | 3% |
| Other revenues | 797 | 1,442 | (645) | (45%) |
| Other expenses | 12,136 | 2,700 | 9,436 | 349% |
| Impairment of Goodwill | ---- | 40,085 | (40,085) | (100) |
| (loss) profit from operations | (31,502) | (54,708) | (23,206) | (42%) |
| Financial charges | 3,634 | 4,910 | (1,276) | (26%) |
| Zakat | 5,679 | 5,491 | 188 | 3% |
| Net Income After Zakat | (40,815) | (63,972) | (23,157) | (36%) |
| Profits (losses) of Actuarial Valuation | 441 | 853 | (412) | (48%) |
| Comprehensive (loss) Income | (40,374) | (64,256) | (23,882) | (37%) |

Major Reasons for changes and variances:

The decrease of sales was due to decrease in demand in local and export markets because of imposed government procedures to limit the spread of corona virus, which led to slow the market demand in the Kingdom of Saudi Arabia and the other targeted countries. The local and export markets during the second and third quarter of 2020 had witnessed remarkable showdown in the sale of the company's products. After easing the restrictions imposed the movement in the KSA and externally during the the third and fourth quarters of 2020, there were implications of improvement in sales. But the effect of the pandemic remain until the end of year 2020.

Among the reasons of the variations, recording impairment losses in goodwill in 2019 in amount of SAR 40.1 million, (nil in 2020), and recording provisions for an amount of SAR 12.1 million compared to SAR 2.7 million in 2019, the decrease in other revenues due to the decrease in the scrap sales and decrease in the financial



charges due to repayment of loans installments as per the payment schedule agreed with banks in the facility agreements.

Sixth: Accounting Standards:

The summarized interm financial statements and the financial statements for the year ended 31/12/2020 were prepared in accordance to the international accounting standards adopted by the Saudi Organization for Certified Puplic Accountants (SOCPA).

Seventh: Affiliated Companies:

No affiliated companies either inside or outside the Kingdom.

Eighth: The Dividends Distribution Policy of the Company:

The distribution of the dividends depend on many factors , the most important factors to achieve net profits or availability of sufficient retained earnings and cash flows along considering the future expectations & the vision of the Board of Directors (BoD) based on the investment opportunities and the need for cash in the expansion projects and main operations of the company. The dividends distribution depends on the recommendation of the BoDs and the approval of the General Assembly. Upon approval, the payment will be scheduled as decided by the BoDs according to the instructions and regulations of the concerned organizations.

As per article (45) of article of association of the company, the company may appropriates (10%) of net profit as statutory reserve, and the General Assembly may stop it when this reserve equals (30%) of the company's capital, this reserve is not available for distribution. The company may appropriates (10%) of the net profit based on a recommendation from the BoDs to form consensual reserve and to be provided for specific reason or reasons, and the articles of associate of the company stipulates the remaining profits for dividends distribution after the appropriation of the reserves as follows:

- 1- First distribution to the shareholders equal to (5%) of the paid – up capital.
- 2- Second allocate (5%) of the balance as remunerations to the BoDs but not exceeding 500 thousand for each member, and the balance to be distributed to the shareholders as additional dividends.



- 3- The BoD issues the declaration based on the recommendation of the Nomination & Remunerations Committee the rewards of the members of the BoDs ,executive management and the employees as per the regulatory policies of the company that approved by the BoDs and the General Assembly, and there is no deviation from these approved policies.

Ninth: The Dividends Distribution to shareholders and Payment a Remuneration for the Members of the BoDs:

- 1- There was no recommendation in 2020 from the board to the General Assembly for dividends distribution to shareholders because of continuation to complete the expansion works for adding a new production line to produce Single Wire Product for concrete strands, and to improve the existing production lines and maintain the resources of the company and negative results of the company during the year 2020 due to Corona pandemic which was effected on the sales of the company.
- 2- Based on the recommendation of the Nominations and Remunerations Committee on its meeting number (22) dated 19/05/2020 regarding payment of monetary reward to the members of the BoDs in an amount of SAR 200,000 for each member for the year ended 31/12/2019, and also to members of the Audit Committee an amount of SAR 50,000 for each member for the year ended 31/12/2019,the BoDs approved the recommendation and issued its resolution by circulation dated 19/05/2020, and this recommendation to be submitted to the General Assembly for voting. The company due to limitation of time, was not able to include this recommendation in the General Assembly meeting's agenda, because the board's approval was on 19/05/2020, and the approved General Assembly meeting date by the Capital Market Authority (CMA) was 11/06/2020. Accordingly, the board recommended to present the recommendation to general assembly during its first meeting that will be held in 2021.
- 3- Based on the recommendation of the Nominations and Remunerations Committee on its meeting number (23) dated 30/12/2020 regarding payment of monetary reward to the members of the BoD, an amount of SAR 200,000 for each member for the year 2020 for their management of the company, and the payment of reward to the audit committee members an amount of SAR 50,000 for each



member for the year 2020, the BoD approved the recommendation in its meeting number (157) dated 30/12/2020 and issued its resolution to present the recommendation to general assembly for voting during its first upcoming meeting in year 2021.

The rewards payment in the company does not conflict with articles of association of the company.

Tenth: Equity activities and Debt Instruments:

As per the disclosure requirements, the following table shows the shares owned by the members of the BoD, their spouses, their minor children and the shares owned by the company or the entity which he represents in BoDs as of 31/12/2020:

| S.N | Board Members | Representative of | Beginning of the year | | | End of the year | | | Percentage of change (%) | | |
|-----|------------------------|------------------------------------|-----------------------|---------------------------------------|--|-----------------|---------------------------------------|--|--------------------------|---------------------------------------|--|
| | | | Board member | The company represented by the member | Spouses & Minor children of the member | Board member | The company represented by the member | Spouses & Minor children of the member | Board member | The company represented by the member | Spouses & Minor children of the member |
| 1 | Mutlaq H. Almorashid | Tasnee Co. | ---- | 9,969,874 | -- | ---- | 9,969,874 | -- | -- | -- | -- |
| 2 | Omer K. Albilali | Int. & Natio. Of Ind. dev. Company | ---- | 1,718 | -- | ----- | 1,718 | -- | -- | -- | -- |
| 3 | Asim A. Wahab Al Eissa | Himself | 100 | ----- | -- | 100 | ----- | -- | -- | -- | -- |
| 4 | Talal A.Karim Al Nafie | National Ind. for Investmnt Co | ----- | 1,718 | -- | ----- | 1,718 | -- | -- | -- | -- |
| 5 | Rayan W. Trapzoni | Himself | 100 | ----- | -- | 100 | ----- | -- | -- | -- | -- |
| 6 | Shakir N. Alotaibi | Himself | 1,000 | ----- | -- | 1,000 | ----- | -- | -- | -- | -- |

Eleventh: Loans

The company has loans from commercial banks as per the Islamic credit facilities agreements subject to mark-up at SAIBOR rate plus profit margin. These facilities secured by promissory notes. The following table shows the sources and movement of the loans during 2020. For more details you may refer to note number (16 & 19) of the statements:

(Value SAR*000)



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| Source | Classification | loan amount | Loan period | Balance on 1/1/2020 | Additions during 2020 | Repayments during 2020 | Balance as on 31/12/2020 |
|-----------------------------------|------------------|-------------|-------------|---------------------|-----------------------|------------------------|--------------------------|
| Saudi Industrial Development Fund | Long- term loan | 26,550 | 7 Yrs | 25,750 | ---- | 600 | 25,150 |
| Saudi British bank | Long- term loan | 50,000 | 5 Yrs | 38,000 | ---- | 9000 | 29,000 |
| | Short- term loan | 13,244 | 6-7 Months | 13,244 | 26,256 | 34,500 | 5000 |
| National Commercial bank | Long- term loan | 12,000 | 3-6 Months | 4,555 | 7,445 | 1,200 | 10,800 |
| Aljazira Bank | Short- term loan | ---- | 4 Yrs | ---- | 14,262 | 14,262 | ---- |
| Total | | 101,794 | | 81,549 | 47,963 | 59,562 | 69,950 |

The following table shows the aggregate maturity amount of the loans as on 31/12/2020:

| Description | 2020 | 2019 |
|-------------------|--------|--------|
| Less than 1 year | 21,700 | 26,694 |
| 1 year to 2 years | 18,800 | 16,105 |
| 2 year to 5 years | 29,450 | 34,925 |
| More than 5 years | ---- | 3,825 |

Twelfth: BoD & its Committees, and Senior Executives:

The BoD is formed from (6) members as per the articles of association, and the Audit Committee is from (3) members as per the approval of the 15th Extraordinary General Assembly meeting dated 11/06/2020. The Nomination and Remuneration Committee formed of (3) members according to the resolution of the BoDs number issued in its meeting number 156 dated 01/07/2020, and the total number of the senior executives are (5) employees as follow:



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| BoDs | Audit Committee Members | Nomination & Remuneration Committee Members | Senior Executives |
|--|---|--|---|
| Eng. Mutlaq Hamad Almoraishid Chairman of Board | Mr. Talal Abdul Karim Al Nafie Chairman of Committee | Eng. Raya WadahTrapzoni Chairman of Committee | Eng. Shakir N. Alotaibi CEO |
| Eng. Shakir Nafil Alotaibi Deputy Chairman of Doard | Eng. Raya WadahTrapzoni Member | Eng. Omer Khalid Al Balali Member | Mr. Fatherrahman A. Othman Fianace Manager |
| Mr. Asim Abdul Wahab Al Eisa Board Member | Mr. Abdulaziz S. Alardi Member | Mr. Asim Abdul Wahab Al Eisa Member | Eng. Faisal D Al Dakheel GM of Msabik Plant |
| Mr. Talal Abdul Karim Al Nafie Board Member | | | Eng. Deya Adin Satti GM – Mahawer Plant |
| Eng. Raya WadahTrapzoni Board Member | | | Eng. Abdul Hadi A. Al-Hadad Aslak Plant Manger |
| Eng. Omer Khalid Al Balali Board Member | | | |



اسلاك
ASLAK



المحاور العربية
ARABIAN AXLES



مسابك
MASABIK



تسك
TESC



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A- Members of the BoDs

| S.N | Member | Membership Classification | Current Position | Qualifications | Previous Positions/ Experience | Membership in other companies' BoD |
|-----|--------------------------------|---------------------------|------------------------------------|---|---|--|
| 1 | Eng. Mutlaq Hamad Almorashid | Non- Executive | CEO, (Tasnee Co) | 1: MBA 2: B.Sc. Engineering | (1982-2015) affiliate company of SABIC as CEO MAADEN Group-CEO HADEED, SADAF & SABIC VP Finance. | - Alinama Tokio Marine (BM) – JSC–Ksa. - Alinma bank (BM) - JSC –Ksa. - CITI – CJSC.–Ksa. - Alba Co. BM- not listed in KSA – out of KSA. - TRONOX Co. – not listed – (Representative of legal entity) out of KSA - Abdullah M. Suaidan Real State Co, BM – not listed . KSA |
| 2 | Eng. Omer Khalid Al Balali | Non- Executive | Head of I.T (Tasnee Co) | B.Sc. MIS | 2015—2019 G.M., Business consultations Solutions, Tasnee Co. | N/A |
| 3 | Mr. Asim Abdul Wahab Al Eisa | Independent | Licensed Lawyer & Arbitrator | B.Sc. Regulations (Law) | 2006-2012 Legal Department Manger- Tasnee Co, & Saudi SKAB 2000-2006 Bureau of Experts at the council of ministers 1991-2002 – legal Advisor – banks Disputes Committee at SAMA. | N/A |
| 4 | Mr. Talal Abdul Karim Al Nafie | Non- Executive | Treasury Manager (Tasnee Co.) | 1: MBA B.A. 2: B.Sc. Accounting | 2007-2009, Auditor at pwc. | -AC Member – Riyadh Cable Co. KSA -AC Member – Napco Co. KSA |
| 5 | Eng. Rayaan WadahTrapzoni | Independent | Executive Director- Air Navigation | 1: B.Sc. Elect. Engineering 2: Management Excellence Diploma | 2014-2017 – GM, Business Development – Plastic Sector at - Tasnee Co, Operations manager Procter & Gamble, Regional Manager, Logistics & supply Chain 1997-2001 Electrical & loss prevention Engineer - Aramco | N/A |
| 6 | Eng. Shakir Nafil Alotaibi | Executive | CEO Maadaniyah | B.Sc. ,Architecture Engineering | 2004-2014 Deputy GM of Maadaniyahh 2002-2004 Engineer Shibani Contracting. 2000-2002 Engineer ,Gulf Salt Co. 1994-1996 AIUPCO 1994-1996 SEC 1993-1994 Engineer at SIDA | N/A |





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The total meetings of the BoD during 2020 were (3) as in the following table:

| S. N | Member | 1 st Meeting | 2 nd Meeting | 3 rd Meeting | Total |
|------|----------------------------|-------------------------|-------------------------|-------------------------|-------|
| | | 26/03/2020 | 01/07/2020 | 30/12/2020 | |
| 1 | Eng. Mutlaq H. Almraishid | Attended | Attended | Attended | 3 |
| 2 | Eng. Omer M. Najjar* | Attended | - | - | 1 |
| 3 | Eng. A.Aziz Al Aboudi* | Attended | - | - | 1 |
| 4 | Eng. R. WadahTrapzoni | Attended | Attended | Attended | 3 |
| 5 | Mr. Talal A.Karim Al Nafie | Attended | Attended | Attended | 3 |
| 6 | Eng. Shakir N. Alotaibi | Attended | Attended | Attended | 3 |
| 7 | Eng. Omer K. Albilali ** | - | Attended | Attended | 2 |
| 8 | Mr. Asim A.Wahab Aleisa ** | - | Attended | Attended | 2 |

*Not elected in the new session of board of director started 11/06/2020

** Elected as a board of director member in the new session started 11/06/2020

B- Audit Committee

The audit committee formed as per the resolution of the General Assembly meeting held on 11/06/2020. The members as follow:

| SN | Member | Members hip nature | Current Position | Qualifications | Previous Positions/ Experience |
|----|----------------------------|--------------------|------------------------------------|-------------------------------|---|
| 1 | Mr. Talal A.Karim Al Nafie | Chairman | Treasury manager - Tasnee | 1- MBA 2- B.Sc. Accounting | 2007-2009, Auditor at pwc. |
| 2 | Eng. Raya W. Trapzoni | Member | Executive Director- Air Navigation | B.Sc. Electrical Engineering | 2014-2017 – GM, Business Development – Plastic Sector at - Tasnee Co, Operations manager Procter & Gamble, Regional Manager, Logistics & supply Chain 1997-2001 Electrical & loss prevention Engineer - Aramco |
| 3 | Mr. Abdulaziz Saif Alardi | Member | Finance & Accounting – Tasnee | 1- B.Sc. Accounting | More than 10 years of experience as financial accountant in SABIC & Tasnee Co. |





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The Audit Committee perform its tasks according to the scop of the work that stated in the corporate governance of the company and accoding to the corporate governance of companies in KSA that issued by CMA.

The main functions of the Audit Committee is to ensure satisfactory and efficiency of procedures & internal control systems, and to ensure the correctness & accuracy of the financial statements and recommending the appointment of the external auditors as per the specific procedures, and to study the reports, observation and recommendations provided by the external auditor and the internal audit department.

The total meetings of Audit Committee during 2020 were 5 meetings as in the following table:

| N ^o | Member | 1 st Meeting 23/03/2020 | 2 nd Meeting 26/03/2020 | 3 rd Meeting 16/07/2020 | 4 th Meeting 18/08/2020 | 5 th Meeting 08/11/2020 | Total |
|----------------|----------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|-------|
| 1 | Mr. Talal A.Karim Al Nafie | Attended | Attended | Attended | Attended | Attended | 5 |
| 2 | Eng. Rayaan W. Trapzoni | Attended | Attended | Attended | Attended | Attended | 5 |
| 3 | Mr. Abdualziz S. Alardi | Attended | Attended | Attended | Attended | Attended | 5 |

Annual Audit Report on The Effectiveness of the Internal Control Procedures:

During the year 2020, a contract has been signed with Baker Tilly & the Company (Independent licened Auditors) to perform the activities of the internal audit in the company, to ensure the efficiency of the internal control procedures in safeguarding the assets and properties of the company and risk assessment and effective performance measurement. In addition, the role of the external auditors in evaluating the control system through auditing the financial accounts for the year ended 31/12/2020. No material weakness in the internal controls and procedures reported in findings of the audit process, and the audit committee was satisfied for the efficiency and effectiveness procedures of the internal control system procedure in the company.

The audit committee has no recommendation contradicting with the any resolutions of the BoDs during 2020.





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The committee reviewed the interim and annual financial results of the company for 2020 and provided the recommendations to the BoDs for approval.

C- Nominations and Remuneration Committee

The members of the committee approved by the BoDs' resolution in its meeting number 156 dated 01/07/2020, the members as follow:

| SN | Name | Membership Nature | Current Position | Qualifications | Previous Positions/ Experience |
|----|-------------------------|-------------------|--|--------------------------------------|---|
| 1 | Eng. Raya W. Trapzoni | Chairman | Executive Director- Air Navigation | B.Sc. Electrical Engineering | 2014-2017 – GM Business Development – Plastic Sector at - Tsnee Co, 2001-2014 Operations manager, Regional Manager ,Logistics & supply Chain Procter & Gamble, 1997-2001 Electrical & loss prevention Engineer - Aramco |
| 2 | Eng. Omer K. Albilali | Member | Head of I.T National Industrialization Co. | B.Sc. Management Information Systems | 2015—2019 General manager- Business consultations Solutions, National Industrialization Co. |
| 3 | Mr. Asim A.Wahab Alessa | Member | Licensed Lawyer & Arbitrator | B.Sc. Regulations (Law) | 2006-2012 Legal Department Manger- National Industrialization Co, & SKAB 2000-2006 Bureau of Experts at the council of ministers 1991-2002 – legal Advisor – banks Disputes Committee at SAMA. |

The main responsibilities of the nominations and rewards committee include the following:

- 1- Recommendation to the BoDs for board membership nomination as per the approved policies and standards.
- 2- Review the required skills of the board membership.
- 3- Review the structure of the BoDs and recommend the required possible changes if needed.
- 4- Identify strength and weakness of the BoDs and suggest the required remediation pursuant to the interest of the company.
- 5- Assure annually of the independency of the independent members and ensure lack of conflict of interest.





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- 6- Develop clear policies for the compensations and rewards for the members of the BoDs and senior executives.

The committee held (2) meetings during the year 2020, as per the following table:

| S. N | Name | 1 st Meeting 19/05/2020 | 2 nd Meeting 30/12/2020 | Total |
|------|-----------------------------|---------------------------------------|---------------------------------------|-------|
| 1 | Eng. Omer M. Najar* | Attended | --- | 1 |
| 2 | Eng. Mutlaq H. Almoraishid* | Attended | --- | 1 |
| 3 | Eng. Abdualziz S. Alaboudi* | Attended | --- | 1 |
| 4 | Eng. Rayaan W. Trapzoni | Attended | Attended | 2 |
| 5 | Eng. Omer K. Albilali** | --- | Attended | 1 |
| 6 | Mr. Asim A. Wahab Alesa** | --- | Attended | 1 |

*Not appointed as member of the committee in the new session started 11/06/2020

** Appointed as member of the committee in the new session started 11/06/2020

D- Senior Executives

| SN | Name | Current Position | Qualifications | Previous Positions/ Experience |
|----|------------------------|---------------------------------------|--|--|
| 1 | Shakir N. Alotaibi | CEO. | B.Sc. Engineering | 2004-2014 Deputy GM 2002-2004 Engineer Shiban Contracting. 2000- 2002 , engineer ,Gulf Salt Co. 1994- 1996 ALPCO, 1994-1996 SEC, 1993-1994 , Engineer at SIFD |
| 2 | Fatherrahman A. Osman | Finance Manager | B.Sc. Economics & Admin. Science. Major: accounting | More than 25 year of experience- he worked as accountant in banks and auditor in audit firm and accounts manager in Maadaniyahh |
| 3 | Faisal D Al Dakheel | GM Masabic Factory | B B.Sc. Engineering | More than 10 years, consultant- local sales in Aramco, Regional sales manager Nalco, technical customer service engineer, head of production planning in Sabic. |
| 4 | Deya Adin Satti | AGM Axles & Spare Parts Factory | B.Sc. Engineering | More than 15 year of experience as mechanical engineer, and maintenance supervisor , and in charge of sales in transport co. |
| 5 | Abdul Hadi A. Al-Hadad | Manager, Aslak Factory | B.Sc. Engineering | More than 20 years of experience as operator , supervisor and factory manager in Maadaniyah |





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The Actions taken by the BoDs to inform the members about the suggestions and observations of the shareholders:

- The BoD during its periodical meetings takes number of actions and procedures to inform its members with the suggestions and observations of the shareholders. The suggestions and observations received in the general assembly meeting in addition to the suggestions received by the officer in charge of the shareholders to be presented to the members by the executive management.
- The company did not take assistance from any specialized external entity to evaluate and assess the performance of the BoDs and its committees. As part of the role of the nominations and remuneration committee is the assessment of performance of the BoDs through the revision of its structure and provide recommendations related to any amendment and specify the weakness and strength in the BoDs and make the required remedies pursuant to the best interest of the company.

Thirteenth: Payments and rewards for the BoDs, committees and senior executives:

The total rewards and compensation paid during 2020 for the members of the BoD and the committees of the board and senior executives including the chief executive officer and the finance manager were as follow:





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Rewards of the members of the BoDs:

(Amount in SAR '000)

| | Fixed rewards | | | | | | End Of Service benefits | Expenses allowanc | Grand Total |
|-----------------------------|-----------------|-------------------------|------------------------------|--|--|-------|-------------------------|-------------------|-------------|
| | Specific amount | Board Meeting allowance | Committees Meeting allowance | Received by BoD as employees, admin. Or for technical ,admin or consultation service | Reward of Chairman, or M.D, BoD or board secretary | Total | | | |
| Independent members | | | | | | | | | |
| Eng. Abdualziz S. Alaboudi* | 3 | | | | | | | | 3 |
| Eng. Rayaan W. Trapzoni | 9 | 18 | | | | | | 4 | 31 |
| Mr. Asim A.Wahab Alesa** | 6 | | | | | | | | 6 |
| Total | 18 | 18 | | | | | | 4 | 40 |
| Non-Executive Members | | | | | | | | | |
| Eng. Mutlaq H. Almraishid* | 9 | | | | | | | | 9 |
| Eng. Omer M. Najar* | 3 | 3 | | | | | | 2 | 8 |
| Mr. Talal A.Karim Al Nafie | 9 | 18 | | | | | | 2 | 29 |
| Eng. Omer K. Albilali** | 6 | | | | | | | | 6 |
| Total | 27 | 21 | | | | | | 4 | 52 |
| Executive Member | | | | | | | | | |
| Eng. Shakir N. Alotaibi | | 9 | | | | | | | 9 |

* Payments up to expiry of the membership of the previous session on 10/06/2020

** Payments from the starting date of membership of the new session started on 11/06/2020





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Rewards of Senior Executives: (Amount in SAR '000)

| Position | Fixed rewards | | | | Variable rewards | | | | | | End of service benefit* | Total executives rewards (if any) | Grand Total |
|--------------------------|---------------|------------|------------------|-------|------------------|-----------|----------------------------|---------------------------|----------------|-------|-------------------------|-----------------------------------|-------------|
| | Salaries | allowances | Benefits in kind | Total | Periodic reward | Dividends | Short-term incentive plans | long-term incentive plans | Granted Shares | Total | | | |
| CEO | 1,144 | 673 | | 1,817 | | | | | | | 125 | 9 | 1,951 |
| Finance manger | 415 | 250 | | 665 | | | | | | | 105 | | 770 |
| GM - Masabik | 463 | 330 | | 793 | | | | | | | 47 | | 840 |
| GM –Acting Axles Factory | 227 | 125 | | 352 | | | | | | | 165 | | 517 |
| Manager - Aslak | 407 | 248 | | 655 | | | | | | | 100 | | 755 |
| Total | 2,656 | 1,626 | | 4,282 | | | | | | | 542 | 9 | 4,833 |

* End of service benefit charged to the expenses of 2020.





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Rewards of the committees' members:(Amount in SAR '000)

| | Fixed rewards | Committee meeting allowance & other expenses | Total |
|--------------------------------|---------------|--|-------|
| Audit Committee Members | | | |
| 1-Mr. Talal A.Karim Al Nafie | ---- | 17 | 17 |
| 2- Eng. Rayaana W. Trapzoni | ---- | 17 | 17 |
| 3- Mr. Abdualziz S. Alardi | ---- | 17 | 17 |

Fourteenth: Contracts include benefits to the members of the BoDs and senior executives and their families and violation to the corporate governance:

- Reference to the rules of registration and listing and the corporate governance, the BoDs would like to explain the following:

The contracts and agreements of the company did not include any benefit to the members of the BoD, the general manager, the finance manager or any person has relation with them.

There is no penalty or warning imposed by any supervisory, regulatory entity or juridical authority during 2020.

Fifteenth: Statutory Payment

- Zakat:

The Company is subject to the regulation of the general authority for Zakat and tax in the kingdom of Saudi Arabia, and zakat recorded based on accrual basis. During 2020 the company submitted the Zakat return for the year ended 31 December 2019 and paid the accrued zakat and received the zakat certificate for the year 2019, the return still under review by the authority of Zakat, and



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any adjustments or differences (if any) in the estimate will be recorded when the final assessment is approved. The General Authority for Zakat and Tax issued the preliminary assessment for the years 2017 and 2018, with differences of SAR 426,000 and SAR 451,000 , arrived though addition and deletion of some items in the returns submitted by the company, the company paid SAR 385,000 for the items agreed in the preliminary assessment for the years referred to, and filed appeal for amount of SAR 492,000 supported with documents submitted to zakat authority, the appeal still under review by Zakat authority.

- **General Organizaion for Social Insurance (GOSI):**

The company is subjected to the regulation of GOSI, the payment of GOSI is on the basis of accrual, and the subscriptions fees paid monthly on the basis of the accrual for the previous month.

- **Customs Duties:**

The main raw material of the products of the company (steel wire rolls) are exempted from the customs duties for five years expiring at end of 2021. The following table shows the payments made to the government deparments authorties during 2020, and the outstanding due balances as of 31/1/2020:



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(Amount in SAR '000)

| Details | Year 2020 | |
|---|---------------|-------------------------------------|
| | Paid | Not paid due at the end of the year |
| General Authority for Zakat & Tax | 6,049 | 5,180 |
| General Organization for social insurance | 2,725 | 281 |
| General Authority of Customs | 1,930 | 681 |
| Value Added Tax | 6,624 | 1,068 |
| Work Permit & Resident Permit Fees | 1,195 | 0 |
| Total | 18,523 | 7,210 |

- Value Added Tax (VAT):

As per the executive articles of the General Authority for Zakat and Tax, the company registered in the VAT system with the registration number 300461302600003. During 2020 the kingdom of Saudi Arabia amended the VAT ratio to 15% starts for the contracts made on 01/07/2020, and the company adhered to this regulation. VAT declaration is raised monthly, and the company paid the due taxes up to the month of November as per the declaration of the company. The following table explains the VAT for the year 2020:

| Items | Amount (SAR '000) |
|---|-------------------|
| Declaration under review at the beginning of the year | (209) |
| VAT on sales | (12,064) |
| VAT on purchases | 4,581 |
| VAT refunded | (289) |
| VAT (Paid) | 6,913 |
| Declaration under review | (1,068) |



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The company paid all the tax obligations for the years 2018 and 2019 as per the declarations submitted to Zakat authority. During 2020, the company received from the authority an adjusted declarations with differences in the VAT and penalties of SAR 130,000, that amount is paid and appeal filed for VAT of SAR 114,000, still under review by the authority, and as per the regulation, the appeal will be effective only after the payment of the differences.

Sixteenth: Transactions With Related Parties

The company follows uniform & transparent policy in its transactions without any preference to related parties. And the company has transacted with National Industrialization Company (Shareholder) majoly include expenses for the medical insurance of the compnay's employees paid on behalf; the transaction was as follows; For more details you may refer to note number (28-1) of the statements:

| | Amount (SAR '000) |
|-------------------------------------|-------------------|
| Balance as on 1/1/2020 | 614 |
| Expenses paid on behalf the Company | 2,770 |
| Amount paid by the Compnay | (2,973) |
| Balance as on 31/12/2020 | 411 |

Seventeenth: General Assembly Meeting & Shareholders Register.

The company held during 2020 (1) extraordinary assembly meeting on 19/10/1441H corresponding 11/06/2020, chaired by the chairman of the BoD Engr. Mutlaq H. Almoraishid , the following board members were attended:

- 1- Mr. Talal A.Karim Al Nafie
- 2- Engr. Shakir N. Alotaibi
- 3- Engr. Abdualziz S. Alaboudi



- The shareholders' register requested 6 times during 2020 as follows:
 - 1- (1) request on 05/01/2020 for company procedures.
 - 2- (1) request on 25/03/2020 for company procedures.
 - 3- (1) request on 04/06/2020 for company procedures.
 - 4- (2) requests on 10/06/2020 for company procedures & General Assembly requirement.
 - 5- (3) requests on 06/10/2020 for company procedures.
 - 6- (1) request on 24/11/2020 for company procedures.

Eighteenth: Application of Corporates Governance Regulations.

The company applies all mandatory articles of the corporates governance issued by council of the capital market authority, pursuant to the resolution number (8-16-2017) dated 16/05/1438 H, corresponding 13/02/2017 and based on the Companies' Law issued based on the Royal Decree number m/3 dated 28/01/1437 H, and in compliance with the articles of association of the company except some guidance provisions as shown in the following table:

| Clause No. | The clause | Reasons for the non-application |
|------------|---|--|
| 38 | Requirements of the Secretary of BoD | <i>The clause for guidance</i> , the secretary of the board has a BS degree in engineering, and has administrative and leadership experience. |
| 39 | Training | <i>The clause for guidance</i> , some members of the BoD attended workshops with the capital market authority. |
| 41 | Assessment to BoD | <i>The clause for guidance</i> , part of the responsibilities of the Nomination and Remuneration Committee to determine the strength and weakness and provide remedies suggestions. |
| 70, 71, 72 | Formation and functions of the Risk Committee | <i>The clause for guidance</i> , the board did not form Risk Committee, as the audit committee performs most of these duties, and there are policies & procedures applicable in the company and accordingly avoid or minimize the risks. |
| 95 | Formation of Corporate Governance Gommittee | <i>The clause for guidance</i> , the requirements carried by the CEO office & Finance Dept.. |



Nineteenth: Social Contributions:

The company believes in the importance of the social responsibilities and the initiative of the social activities. For reasons related to corona pandemic during the year 2020 and the need for cash flow, the company was not able to participate in the external social contributions.

Twentieth: Declarations of the BoDs:

According to the information brought to our attention, and according to external auditor report which is free from any reservations, and the current market data and the future expectations, we declare the following:-

- 1- The accounts records have been prepared properly.
- 2- The internal control system has been properly maintained and effectively implemented.
- 3- There is no doubt in the ability of the company to continue its activities.

Finally, the BoDs extends its sincere thanks to the custodian of the two holly mosques King Salman Bin Abdulaziz Al Saud and the crown prince, deputy prime minister, minister of defense and chairman of the higher economic council , his royal highness crown prince Mohammed Bin Salman Bin Abdulaziz, and to the ministry of health for their sacrifices towards the safety of citizens and residents during the corona pandemic . We also thank all other government sectors those contributed in the maintenance of human safety in the first place and secondly the Saudi economy and the support and development of national industry to achieve vision 2030. We also thank all other government entities and some other sectors for their valuable initiatives that supported the private sector in the management of their cash flows and continued their activities during corona pandemic. The BoDs is pleased to thank the shareholders of the company for their support, and to the customer for trust in the company and its products, and also for the employees of the company for their sincere efforts towards the development and performance improvements and achievement of the company goals.

Thank you...

Board of Directors