

شركة وفرة للصناعة والتنمية

Wafrah for Industry & Development

**The Annual Report of the Board of
Directors for the fiscal year ending
on December 31, 2021 AD**



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Wafrah for Industry & Development

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The annual report of the Board of Directors for the fiscal year ending on December 31, 2021

AD

Gentlemen and Ladies / Shareholders of Wafra for Industry and Development

On behalf of the Board of Directors of Wafra for Industry and Development, I would like to place before you the annual report of Wafra for Industry and Development for the year ending on December 31, 2021, knowing that the current board of directors began its session on 14/01/2021.

The report aims to inform shareholders about the company's performance in general, its business developments, operational performance and strategic directions during the fiscal year ending on December 31, 2021, attached to the audited and approved financial statements - according to International Accounting Standards (IFRS) - by the auditor (external auditor). In addition to the notes that are an integral part of the financial statements. The Board of Directors is aware of the importance of transparency and disclosure, so the report is prepared in accordance with the Corporate Governance Regulations and the registration and listing rules issued by the Saudi Capital Market Authority.

The year 2021 AD witnessed the election of a new board of directors and the issuance of a recommendation by the Board to increase the company's capital by an amount of 154,340,700 riyals through a rights issue, followed by the appointment of (Al Jazira Capital) as a financial advisor to increase the capital. The financial advisor submitted the capital increase request file to the Capital Market Authority, and is awaiting approval to present the matter to the Extraordinary General Assembly for final approval. After the capital increase, the company hopes to implement its strategy and business plan to modernize the company's factories and improve performance.

And I ask God to perpetuate the blessing of security, security and stability for the country of the Two Holy Mosques, and for good to prevail under the leadership of the Custodian of the Two Holy Mosques King Salman bin Abdulaziz, and his trusted Crown Prince, His Royal Highness Prince Muhammad bin Salman bin Abdulaziz, for all their great efforts and unlimited support. In order to stimulate the business environment in the private sector and the development of the nation's economy.

God grants success,

Muhammad Yaqoub Yusuf al-Makhdhab

2 - About the company and its activities

Wafrah Company for Industry and Development was established in accordance with the provisions of the Companies Law issued by Royal Decree No. (6/m) dated 22/03/1385 AH. Which was amended with the issuance of the new companies system by Royal Decree No. (3/m) dated 28/1/1437 AH. And regulations and based on Cabinet Resolution No. (403) dated 24/7/1439 AH. According to this system, it was established as a listed Saudi joint stock company, with a capital of 200 million Saudi riyals divided into 20 million shares of 10 riyals each, all of which are ordinary cash shares. A capital reduction occurred by a decision of the Extraordinary General Assembly on 15 Shaban 1441 AH corresponding to April 8, 2020 AD based on the recommendation of the Board of Directors to reduce the capital to offset the accumulated losses. The company's capital was reduced from 200,000,000 Saudi riyals to 77,170,350 and the number of shares from 20,000,000 Saudi riyals to 7,717,035 shares the value of each is 10 Saudi riyals. The company also embarked on capital increase procedures to implement its plans to upgrade the company by offering priority rights shares at an amount of 154,340,700 riyals, but the procedures are underway now and were not completed during the year 2021 AD.

Company Purposes

The objectives of the company include many activities, which are as follows:

1 - Manufacturing, packaging, preserving, processing and developing foodstuffs, and marketing them at home and abroad, including the following:

A - Taking advantage of the seasonal surplus of agricultural crops, especially perishable crops, and presenting them to the consumer after processing and subjecting them to varying degrees of food processing services.

b- Better utilization of some secondary plant and animal products whose burning and disposal constitute a loss to the national economy, such as poultry and ruminant animals, fish and fish residues and their offal such as internal guts, heads and bones, and using them to produce animal feed of high nutritional value.

c- Manufacture of some food products from their raw materials, such as extracting vegetable oils and sugar, and benefiting from their residues after processing as feed and the like.

D - Encouraging producers in the agricultural sector to introduce new agricultural crops, which will lead to the expansion and diversification of the agricultural production base in order to achieve one of the most important goals of agricultural development.

C - Increasing opportunities to export local agricultural products, especially perishable crops, such as processed or processed food commodities.

2 - Investment in the establishment, development and ownership of industrial projects for the company.

3- Investment in the field of land and real estate, including:

- Buying and selling land for the company.
- Management and leasing of owned or rented (residential) real estate.
- Management and rental of owned or rented (non-residential) real estate
- Management, maintenance, operation, ownership and establishment of industrial projects for the company.

The company carries out its activities in accordance with the applicable regulations and after obtaining the necessary licenses from the competent authorities, if any.

The head office of the company is located in the city of Riyadh, and it may have branches for sales and marketing in the central, western, eastern and southern regions of the Kingdom, The Company is considered one of the leading companies in the food industry and has an extended heritage in this field.

The company has more than four operating factories that use various production lines that use a lot of raw materials produced inside the Kingdom of Saudi Arabia in order to produce, distribute and market many types of high-quality foodstuffs that are provided to the company's customers in the central markets, wholesale and retail markets, and catering throughout the Kingdom.

As the four operating factories are located in the industrial city in the second and third phases in Riyadh, they are the vegetable products factory, the Wafrah pasta and noodles factory, food ready meals factory (meats) and the breakfast cereal factory.

There is a fifth factory for the manufacturing industries of dates in Al-Kharj.

3-The contributions of each manufacturer to the company's revenue for the year 2021

First: Vegetable Products Factory

The factory has a main line, which is the production line of frizzling potato slices, where the products are packaged under the names of abundance and food, and using potatoes of excellent quality and specifications produced by us, the largest Saudi agricultural companies.

And thanks to the high quality that we maintain and thanks to the balanced price, our trade marks (Wafrah) has become one of the best names in the Saudi potato chip market, without arguing with the world known companies in this sector.

The sales of the vegetable products factory reached during the year 2021An amount of 32,025,223 riyals, representing 49.29% of the company's revenues.

Second: Pastry Factory, pasta and noodles factory:

The pastry factory is one of the important factories of Wafrah for Industry and Development, because the flexibility in production that allowed the company to increase the distribution of products and packages under the brand names Wafrah, Saudi Gardens and Cabrini. The secret of quality is the use of quantities of the finest types of durum wheat semolina, which produces the best pastries, as is the use of Saudi wheat flour.

The factory consists of four production lines:

- Two for the production of all kinds of short pasta (one of them is new).
- The third for the production of long pasta (spaghetti).

Fourth to produce noodles.-

The sales of the pastry factory during the year 2021 AD amounted to 22,924,527 riyals. It represents 35.29% of the company's revenue.

Third: food ready meals factory (meats)

The factory consists of multi-purpose production units for the manufacture of high-value frizzing meat products, including burgers, kebabs, sausages, cooked meat slices such as mortadella and others, with the flexibility to produce more varieties of meat and chicken products. Shop these products under the Wafrah.

The food factory sales during 2021 amounted to 7,981,501 riyals, representing 12.29% of the company's revenues.

Fourth: Breakfast Cereals and Nuts Factory

This factory has two lines, the first one produces different roasted corn flakes breakfast cereals (cornflakes, sweetened cornflakes, bran flakes, rice puffs, chocolate puffs)

Despite the weak performance of this factory, in 2021 there was a boom in the volume of sales and the number of customers.

The sales of the breakfast cereal factory during the year 2021 AD amounted to 2,036,351 riyals, representing 3.13% of the company's revenues.

-There are peanuts and nuts production lines, where the factory mainly produces peanut butter and salted peanuts. The sales of the breakfast cereals and nuts lines factory have been modest for years compared to the other factories of the company, but the efforts began to bear fruit after contracting with various parties to produce their own brands of breakfast cereals and nuts, where improvement appeared in the year 2021 AD. The company is also keen on raising quality, modernizing products and innovating new methods of selling.

Fifth: the dates factory in Al-Kharj:

This factory has always been a source of losses for the company. The factory was designed to manufacture date products such as date paste, date molasses and vinegar, and to produce fodder from dates waste. It also includes a line for jam production from dates and other fruits. But the products of this factory did not spread as planned.

4-Future plans and expectations of Wafrah Company for Industry and Development

In reference to the new business plan, the company expects to increase production capacity, increase domestic sales as well as foreign sales, and reduce product costs, especially in the vegetable, pastry and

meat factories. The company has developed a Business Plan, in which it focused on rehabilitating factories by reducing reliance on manual operations by purchasing highly automated lines, as well as focusing on the horizontal expansion of sales by doubling the number of customers across the Kingdom to increase sales and expand in the supermarket and supermarket sector (supermarkets, markets and hypermarkets), increasing the market share and sales, and paying attention to food quality and safety.

The company pays great attention to the manufacture of distinguished and high quality products, and according to the strategic directions of the company's management, the company has manufactured pasta and potatoes - as private labels.

4-Future plans and expectations of Wafrah Company for Industry and Development:

In reference to the new business plan, the company expects to increase production capacity, increase domestic sales as well as foreign sales, and reduce product costs, especially in the vegetable, pastry and meat factories, The company has developed a Business Plan, in which it focused on rehabilitating factories by reducing reliance on manual operations by purchasing highly automated lines, as well as focusing on the expansion of sales by doubling the number of customers across the Kingdom to increase sales and expand in the supermarket sector (supermarkets). markets and hypermarkets), increasing the market share and sales, and paying attention to food quality and safety

The company pays great attention to the manufacture of distinguished and high quality products, and according to the strategic directions of the company's management, the company has manufactured pasta and potatoes - as private labels.

5-The Company's potential financial and operational risks:

Wafrah Company for Industry and Development, like any economic entity, is exposed to some risks through the nature of its industrial activity as a company working in the field of commodities, basic food and retail .The company seeks to follow up on risks, especially operational risks, such as securing raw materials, packaging materials and spare parts necessary to ensure continuous operation.

In order to avoid these risks, the company has expanded the supplier base to ensure that its needs of these materials are met. In order to avoid price fluctuations, the company has signed binding contracts with some suppliers.

The company was interested in increasing storage capacity and established refrigerated and frozen warehouses to preserve basic raw materials (potatoes and meat) due to their seasonality and purchasing them at a time of low prices. In the field of flour And semolina, the company exploited the large storage capacity that it established earlier by building new silos to take advantage of the additional quotas of flour provided by the General Organization for Silos and Flour Mills in Riyadh and in the branches of the regions.

As for spare parts, the company deals directly with factory suppliers and approved agents, especially in spare parts to ensure you get the pieces; The Company also keeps the spare parts needed for the periodic maintenance of factories in the spare parts warehouse.

(5-1)Financial Instruments

Financial instruments included in the statement of financial position mainly include cash in hand and at banks, civilians and other assets, investments, creditors, accrued liabilities, loans and non-current liabilities.

(5-2)The risks of purchasing power and competition in the markets

There are great risks facing the company, and one of the most important of these risks is the low demand for the company's products from customers due to weak purchasing power.And some risks remained from the repercussions of the Corona pandemic due to the precautionary measures imposed by the Ministry of Health and the relevant authorities, which restricted some activities

related to the chain of food distribution and consumption. The risks of price competition also prevailed in the sale of products, as the company was exposed to great competition from companies operating in the same field, especially those working in the field of frozen potatoes trade. At the same time, the company faces similar risks to the rest of the products, albeit to a lesser degree than those it faces in potato products.

Among the features of coexisting with intense competition, the company resorts from time to time to make offers and sell at discounted prices on products, especially those that are close to expiration, in order to reduce risks and prevent products from being destroyed due to expiration and others.

(5-3)Credit Risk

Credit risk is represented by the company's inability to meet its obligations, which leads to the other party incurring financial losses. The company seeks to reduce credit risk through periodic follow-up of related receivables. Therefore, the company is always keen to maintain the minimum necessary liquidity to meet the insurance needs of raw materials and meet its obligations related to the regular payments due and any other dues. Therefore, the company focuses on a good customer base, committed to paying their purchases from the company, such as large supermarkets (hypermarkets) as well as distinguished large wholesale customers, ensuring that they have the minimum necessary for operation.

(5-4)Currency Risk

Currency risk is that the value of a financial instrument will change due to changes in foreign exchange rates. The transactions of Wafrah Company for Industry and Development are in Saudi riyals and US dollars, and to meet the expected risks from foreign currencies and exchange rates, appropriate conversion is used to translate operations and balances made in foreign currencies into Saudi riyals according to the prevailing rates when making transactions. The company considers that it is not exposed to this risk because the main currency The company's transactions are riyals.

(5-5)Liquidity risk

It is the risk of the company's inability to secure the necessary liquidity to meet the obligations related to financial instruments when they become due. The company's operations were affected by the lack of liquidity during the year despite its interest in executing purchase contracts from suppliers in which it obtains a good payment period that enables it to fulfill its obligations, and it is always keen to provide the necessary liquidity. To meet its short-term obligations on an ongoing basis by relying on reputable clients, the company is keen to have enough cash to cover the expected operating expenses. The company deals with banks with strong financial positions and a good reputation, even if they are exposed to some difficulties in providing the necessary liquidity.

(5-5) fair value

It represents the fair value according to which an asset is exchanged or a liability is paid between willing parties and on fair terms of dealing, and where the company's financial statements are prepared according to the historical cost principle, it can result in differences between the book value and the estimated fair value. The management believes that the fair value of the financial assets and liabilities The company's own is not much different from its book value.

6-The company's financial positions comply with International Financial Reporting Standards (IFRS)

The company has applied and prepared the quarterly financial statements and the annual financial statements for the fiscal year 2021 AD in accordance with international accounting standards

The company has implemented the International Financial Reporting Standard No. (16) for lease contracts, starting from 01/01/2019

7-The company's business results during the last five years

Income statement summary for the last five years (in SAR)

statement	2017	2018	2019	2020	2020
The sales	60,834,006	80,131,972	82,816,966	83,777,853	46,967,601
Sales cost	(75,165,062)	(66,952,488)	(66,058,166)	(64,363,423)	(53,474,887)
Total profit	(14,331,056)	13,179,484	16,758,800	19,414,430	11,492,714
Total cost	(26,679,274)	(26,708,401)	(27,240,825)	(25,909,007)	(23,400,746)

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Income statement summary for the last five years (in SAR)

Statement	2017	2018	2019	2020	2021
Sales	60,834,006	80,131,972	82,816,966	83,777,853	64,967,601
Cost of sales	(75,165,062)	(66,952,488)	(66,058,166)	(64,363,423)	53,474,887
Gross Profit	(14,331,056)	13,179,484	16,758,800	19,414,430	11,492,714
Total expenses	(26,679,274)	(26,708,401)	(27,240,825)	(25,909,007)	(23,400,746)
Net (loss) profit from activity	(41,010,330)	(13,528,917)	(10,482,052)	(6,494,577)	(11,908,032)
Provision for loan guarantee (related party)	0	0	(8,063,390)	0	0
Losses on investments at fair value gain/loss	(4,521,000)	(6,499,675)	(4,354,480)	0	0
Impairment gain/loss in the value of real estate investments	0	0	(1,008,252)	333,368	0
Provision for expected credit losses	(2,500,000)	(1,959,481)	(1,175,915)	(1,326,059)	(269,529)
Impairment in property, plant and equipment	0	0	0	0	(468,578)
Dedicated response Spare parts that are out of use	0	0	0	0	761,698
Provision for impairment in inventory value	0	0	0	(606,477)	0
Provision for slow moving inventory	(556,931)	(307,254)	(927,060)	(1,426,484)	0
Finance expenses	(617,950)	(315,350)	(300,000)	(630,000)	(420,000)
Finance costs	0	0	(190,020)	(188,497)	(168,898)
Other income	340,688	80,923	2,420,198	1,482,535	3,528,801

Net profit (loss) before zakat	(48,865,523)	(22,529,754)	(24,080,971)	(8,856,191)	(8,944,538)
Zakat discretion	(1,254,527)	(3,971,408)	(1,288,762)	(3,522,897)	(1,986,049)
Net profit (loss) for the year	(50,120,050)	(26,501,162)	(25,369,733)	(12,379,088)	(10,930,587)
Comprehensive income items:					
Change in the fair value of the investment	35,326	67,592	(83,305)	84,360	50,615
Coupon losses of employee benefits liabilities	(101,944)	(701,543)	(372,400)	(1,056,317)	1,394,803
Total comprehensive income	(66,618)	(633,951)	(455,705)	(971,957)	1,445,418
Total comprehensive profit (loss) for the year	(50,186,668)	(27,135,113)	(25,825,438)	(13,351,054)	(9,485,169)

It is clear from the income statement summary that:

- The gross profit reached in 2021 AD. An amount of 11,492,714 riyals. For 19,414,430 riyals in the year 2020 AD.
- The total comprehensive loss amounted to 2021. An amount of (9,485,169) riyals. For (13,351,045) riyals in 2020.
- Sales in 2021 amounted to 64,967,601 riyals, while in 2020 they were 83,777,853 riyals, recording a decrease of 22.45%.
- General and administrative expenses increased by 1,225,044 riyals, while selling and marketing expenses decreased by 3,733,305 riyals compared to the previous year.

The main causes of losses:

- Sales decreased by 22.45%.
- High cost of sales.
- Impairment in the value of property, plant and equipment.
- High administrative and general expenses.
- Provision for credit losses.

8 - A statement of the company's assets and liabilities for the last five years.

Summary of the statement of financial position for the last five years (in riyals).

Statement	2017	2018	2019	2020	2021
Current assets	64,489,776	49,802,508	46,893,843	51,017,019	50,586,537
Current liabilities	44,075,615	54,573,506	47,712,401	66,853,749	70,971,724
Working capital	20,414,161	(4,770,998)	(818,558)	(15,836,730)	(20,385,187)
Other long-term assets	20,974,325	14,542,242	13,601,492	13,871,605	3,108,709

Fixed Assets	116,433,138	109,177,425	103,551,023	96,434,618	89,351,022
Total Assets	201,897,239	173,522,175	164,046,358	161,323,242	143,046,268
Long-term loans	21,000,000	11,000,000	25,000,000	16,000,000	6,000,000
Other liabilities	5,665,082	6,427,240	15,637,966	16,124,547	13,214,767
Total Liabilities	70,740,697	72,000,746	88,350,367	98,978,296	90,186,491
Paid-in capital	200,000,000	200,000,000	200,000,000	77,170,350	77,170,350
Reserves and retained earnings	(68,843,458)	(98,478,571)	(124,304,009)	(14,825,404)	(24,310,573)
Shareholders' Equity	131,156,542	101,521,429	75,695,991	62,344,946	52,859,777
Total liabilities and shareholders' equity	201,897,239	173,522,175	164,046,358	161,323,242	143,046,268

From the statement of financial position on 31/12/2021 the following:

- The total assets (assets) amounted to 143,046,268 riyals on 31-12-2021G compared to 161,323,242 riyals on 31-12-2020G, a decrease of 11.33%.
- Total liabilities amounted to 90,186,491 riyals on 31-12-2021, compared to 98,978,296 riyals on 31-12-2020, a decrease of 8.88%.
- Shareholders' equity decreased from 62,344,946 riyals to 52,859,777 riyals, a rate of 15.21%
- The working capital amounted to (20,385,187) riyals on 31-12-2021G compared to (15,836,730) riyals on 31-12-2020G.

9- Comparing the operational results for the year 2021 AD with the previous year 2020 AD (in riyals)

Statement	2020	2021	Amount of change + or (-)	Percentage change (%)
Sales	83,777,853	64,967,601	-18,810,252	22.45%
Cost of sales	(64,363,423)	(53,474,887)	- 10,888,536	- 16.92%
Gross operating profit	19,414,430	11,492,714	-7,921,716	-40.80%
Total expenses	(25,909,007)	(23,400,746)	-2,508,261	-9.68%
Net profit (loss) from the activity	(6,494,577)	(11,908,032)	+5,413,455	+83.35%
Provision for loan guarantee - related party	0	0	0	0
Investment losses at fair value profit/loss	0	0	0	0
Profit/loss of impairment in the value of real estate investments	333,368	0	333,368	100%

Provision for expected credit losses	(1,326,059)	(269,529)	-1,056,530	-79.67%
Provision for impairment in inventory value	(606,477)	0	(606,477)	100%
Provision for slow moving inventory	(1,426,484)	0	(1,426,484)	100%
Financing expenses	(630,000)	(420,000)	-210,000	-33.33%
Finance costs	(188,497)	(168,898)	-19,599	-10.40%
Other income	1,482,535	3,528,801	+2,046,266	+138%
Discretionary zakat	(3,522,897)	(1,986,049)	-1,536,848	-43.62%
Net profit (loss)	(12,379,088)	(10,930,587)	- 1,448,501	-11.70%
Comprehensive income items:				
Change in the fair value of the investment	84,360	50,615	-33745	-40%
Actuarial profit (loss) for end of service benefits	(1,056,317)	1,394,803	+2,451,120	+232%
Total Comprehensive Income	(971,957)	1,445,418	+2,417,375	+248.71%
Total comprehensive loss for the year	(13,351,045)	(9,485,169)	-3,865,876	-28.96%
loss per share	(1.60)	(1.42)	-0.18	-11.25%

It is evident from comparing the operational results for the year 2021 AD with the previous year 2020 AD, as follows:

It is evident from the summary of the income statement that:

- Sales decreased in 2021 compared to 2020 by 22.45%.
- The cost of sales decreased in 2021 by 10,888,536 at a rate of 16.92%
- The total profit from operating operations in the year 2021G is an amount of 11,492,714 riyals, compared to the total profit from operating operations in the year 2020G is 19,414,430 riyals.
- The total comprehensive loss in 2021G is (9,485,169) riyals compared to the total comprehensive loss of (13,351,045) riyals in 2020.
- Expenses decreased in 2021 compared to 2020 by 9.68%.
- The net loss for the year 2021G decreased compared to the year 2020G by 11.70%.

10 - Causes of deviations in operating results

- 1- Sales value decreased by 22.45%.
- 2- Reduced selling and marketing expenses.
- 3- Reduced provision for expected credit losses.
- 4- No provision for slow moving goods.
- 5- Custom response spare parts for no purpose.

11- Geographical analysis of the sales of Wafra for Industry and Development Company (in riyals)

Year	Statement	Inside the kingdom	Outside the kingdom	Total
2021	Sales	64,967,601	0	64,967,601
2020	Sales	83,777,853	0	83,777,853

It turns out that all sales within the Kingdom decreased by 18,810,252 riyals from the previous year, by 22.45%.

12 - Value Added Tax

Based on the agreement of the Gulf Cooperation Council countries to implement value-added tax as one of the important economic reforms in the Gulf Cooperation Council countries, the company has adhered to the regulations and legislation in implementing this tax at the beginning of 2018. The company has reconciled its work with all the official requirements that ensure their proper application. The company has been keen to submit and pay the value-added tax return on the official dates.

13 - Shareholders' Equity

Dividend Policy

Article (43) of the Bylaw (Dividend Distribution)

The company's annual net profits are distributed as follows:

- 1- (10%) of the net profits shall be set aside to form the statutory reserve, and the Ordinary General Assembly may decide to discontinue this setting aside when the said reserve reaches (30%) of the paid-up capital.
- 2- The Ordinary General Assembly, based on the proposal of the Board of Directors, may set aside (10%) of the net profits to form a consensual reserve to be allocated for the benefit of the company.
- 3- The Ordinary General Assembly may decide to form other reserves, to the extent that achieves the interest of the company or ensures the distribution of fixed profits as much as possible to the shareholders. The aforementioned association may also deduct sums from the net profits to establish social institutions for employees or to assist the existing ones of these institutions.
- 4- After that, 5% of the paid-up capital of the company shall be distributed to the shareholders.
- 5- Taking into account the provisions stipulated in Article (twenty) of the system, and Article (seventy) of the Companies Law, after the above, 10% of the remainder is allocated to remunerate the Board of Directors, provided that the entitlement of these remunerations is proportional to the number of sessions attended by the member.

Article (44) of the basic system (profit entitlement)

The shareholder is entitled to his share of the profits in accordance with the resolution of the Ordinary General Assembly issued in this regard. The decision indicates the maturity date and the distribution date. The eligibility for profits shall be for the owners of shares registered in the shareholders' records at the end of the day specified for entitlement, (noting that the company did not distribute profits in 2021).

14 - Board meetings

Board of Directors

First: The Ordinary General Assembly met on 30/06/2019 to elect a new board of directors for the company for the session no. (11) to start from 04/07/2019 and for a period of three years ending on 03/07/2022 AD as follows:

1. Eng.Khaled Abdel Aziz Abdel Rahman Al Majed
2. Eng. Ibrahim Muhammad Hadi Al-Daghrir*
3. Dr. Turki bin Masoud Mahdi Al Abbas
4. Mr. Tarek Emad Abdel Ilah Nassif
5. Mr. Ammar Muhammad Husayn Al-Abadi
6. Eng. Muhammad Ahmad Abhal Al Haider
7. Mr. Saleh Hassan Saleh Al Yami

* His membership expired by resignation on 19/10/2020.

However, on 14/01/2021 AD, the Ordinary General Assembly No. (36) Was held to consider the request to dismiss the Board of Directors and the request to dismiss the Audit Committee submitted by some of the company's shareholders. The General Assembly agreed to dismiss the Board of Directors and the Audit Committee and elected a new Board of Directors, ending the session (No. 11) on 13/01/2021 AD, and then the new cycle (No. 12) started on 14/01/2021 AD.

The Board of Directors for the session (12) was formed from the following:

- 1- Muhammad Yaqoub Yusuf al-Makhdhab
- 2- Mohammed Hindi Shuja Al-Otaibi
- 3- Faisal Mohammed Abdul Aziz Al-Khudairi
- 4- Mohammed Saud Abdullah Al-Semari
- 5- Iyad Abdul Rahman Muhammad Al-Bunyan
- 6- Muhammad Abdul Razzaq Aboud Al-Baghdadi
- 7- Faisal Abdullah Mohammed Al-Qahtani

Accordingly, this report covers the performance of the Board of Directors in the remainder of the session (No. 11), (from 01/01/2021 - 13/01/2021). It also covers the performance of the Board of Directors in session (No. 12) for the period (from 14/01/2021 AD - 31/12/2021 AD).

Board meetings:

Article (21) of the company's bylaw states that the board of directors meets at least twice a year at the invitation of its chairman. The Chairman of the Board shall also invite the Board to a meeting whenever requested by two of the members, in order to supervise, follow up and monitor the implementation of the company's business. He is also keen on writing and documenting the minutes of those meetings in accordance with the Corporate Governance Regulations. The members of the board of directors must ensure that they attend the meetings. The Board of Directors did not meet at the end of the session (No. 11), (from 01/01/2021 to 13/01/2021 AD).

The number of meetings of the Board of Directors (12th session) during the year 2021 AD was (7) seven, and the attendance record for these meetings was as follows:

A statement of the record attendance of the members of the Board of Directors for the Board meetings during the year 2021 AD

member name	meeting date							percentage (%)	Total
	١١/٨	٨/٨	٥/٢٢	٥/٩	٢/٢١	١/٢٨	١/١٨		
Muhammad Yaqoub Yusuf al-Makhdhab	√	√	√	√	√	√	√	%١٠٠	٧
Mohammed Hindi Shuja Al-Otaibi	√	√	√	√	√	√	√	%١٠٠	٧
Faisal Mohammed Abdul Aziz Al-Khudairi	√	√	√	√	√	√	√	%١٠٠	٧
Mohammed Saud Abdullah Al-Semari	√	√	√	√	√	√	√	%١٠٠	٧
Iyad Abdul Rahman Muhammad Al-Bunyan	√	√	√	√	√	√	√	%١٠٠	٧
Muhammad Abdul Razzaq Aboud Al-Baghdadi *	Resigned	√	√	√	√	√	√	%١٠٠	٦
Faisal Abdullah Mohammed Al-Qahtani	√	√	√	√	√	√	√	%١٠٠	٧

*The membership of Mr. Muhammad Abdul Razzaq Al-Baghdadi ended with his resignation on 07/11/2021

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15 -Members of the Board of Directors, their current and previous positions, qualifications and experience

Name	Qualifications	Current Position	previous job	Experiences
Mr. Mohamed Yaqoub Yousef Al-Makhdhab	Bachelor of Economics and Counseling	Executive Director of Ansab Contracting Company.	Stock broker and head of the trading team at Bank Al Jazira	-Contracting field - stock field - sales field
Mr. Mohammed Hindi Shuja Al-Otaibi	- Bachelor of Systems	Lawyer and legal advisor	Attorney	Advocacy and legal advice
Mr. Faisal Mohammed Abdul Aziz Al-Khudairi	Bachelor of Information Systems Management	Founder and Director of Al Dana Manpower Recruitment Company	Chairman of the Board of Directors of the Building Tables Contracting Company	Recruitment and manpower Contracting field
Mr. Mohammed Saud Abdullah Al-Semari	Diploma in Commercial Accounting	Vice President and Head of the Branch Network and Distribution	Regional Director - Bank Aljazira	-The field of banking and insurance

		Channels at Bank Al Jazira		
Mr. Iyad Abdul Rahman Muhammad Al-Bunyan	- Bachelor's degree in Architectural Engineering	- Managing Director and CEO of ALARGAN Projects Company	- Chairman of the Board of Directors of Aman Insurance Agency	The field of real estate investment and the development of residential complexes and commercial centers
Mr. Muhammad Abdul Razzaq About Al-Baghdadi	- Bachelor's degree in Computer and Information Sciences	CEO of Future Growth Group	- Al-Rashed Trading and Contracting	The field of the financial sector, advisory services and capital markets
Mr. Faisal Abdullah Mohammed Al-Qahtani	- bachelor of Law	Regional Director - Arab National Bank	JP Morgan Bank - Riyadh	banking sector

16 -Committee members, their current and previous jobs, qualifications and experience

Audit Committee Members

Name	Qualifications	Current Position	previous job	Experiences
Mr. Faisal Abdullah Mohammed Al-Qahtani	- bachelor of Law	Regional Director - Arab National Bank	Branch Manager (Eastern and Northern Region) Bank Albilad	banking sector
Mr. Hani Abdullah Siraj Abul-Naga	- Bachelor of Accounting	Consultant at the Ministry of Housing	Assistant CEO - Family Office Company	the financial sector
Mr. Abdul Rahman Abdul Mohsen Suleiman Balghunaim	Bachelor of Financial Management - Master of Applied Mathematics	Managing Partner - Advanced Analytics Company	Managing Director - Ajdi Food Trading Company	Financial Analysis / Management

Members of the Remuneration and Nominations Committee

Name	Qualifications	previous job	previous job	Experiences
Mr. Mohammed Saud Abdullah Al-Semari	Diploma in Commercial Accounting	Vice President and Head of the Branch Network and Distribution	Regional Director - Bank Aljazira - Chairman of the Board of	The field of banking and insurance

		Channels at Bank Al Jazira	Directors of Aman Insurance Agency	
Mr. Mohammed Hindi Shuja Al-Otaibi	- Bachelor of Systems	Lawyer and legal advisor	Lawer	Advocacy and legal advice
Mr. Faisal Abdullah Mohammed Al-Qahtani	- bachelor of Law	Regional Director - Arab National Bank	Branch Manager (Eastern and Northern Region) Bank Albilad	banking sector

17 -Executive management, their current and previous positions, qualifications and experience

The name	Qualifications	Job	previous job	experiences
Mr.maqead Ibrahim Al-Otaibi's	diploma	CEO - Abundance	Executive Vice President - Wafrah	Industry and Entrepreneurship University
Mr. Khaled Saleh Al-Amoudi	Bachelor's Master's	Financial Director (starting from July 2021)	Financial Director - Ground Services - Saudi Airlines	The field of - financial management
Dr. Salah Ali Mahgoub	- Bachelor's degree in Agriculture - Master's degree in food industries - PhD in food industries	Strategy and development manager	Technical Affairs Manager at Wafra Company for Industry and Development	teaching field The field of food processing
Mr. Othman Muhammad Tom Bakhit	Bachelor of Commerce	Financial Director (until July 2021)	internal audit manager	-In the field of auditing In the field of financial management
Mr. Muhammad Faisal Muhammad	Information Technology Diplomap	Kingdom Sales Manager	Purchases Manager	In Purchasing and Sales

-Formation of the Board of Directors and classification of its members on an executive, non – independent basis executive or

member name	Position	executive	-non executive	independent
Mr. Mohamed Yaqoub Yousef Al-Makhdhab	Chairman of Board of Directors			√

Mr. Mohammed Hindi Shuja Al-Otaibi	vice president			√
Mr. Faisal Mohammed Abdul Aziz Al-Khudairi	Managing Director	√		
Mr. Mohammed Saud Abdullah Al-Semari	board member			√
Mr. Iyad Abdul Rahman Muhammad Al-Bunyan	board member			√
Mr. Muhammad Abdul Razzaq Aboud Al-Bagdadi	board member		√	
Mr. Faisal Abdullah Mohammed Al-Qahtani	board member			√

– ١٩ Companies inside or outside the Kingdom for which a member of the company's board of directors is a member of its current and previous boards of directors or one of its managers

member name	Current company names	Inside the Kingdom/ Outside the Kingdom	The legal form of the company	Previous company names	Inside the Kingdom/ Outside the Kingdom	The legal form of the company
Mr. Mohamed Yaqoub Yousef Al-Makhdhab	-Ansab General Contracting Ansab Real Estate Gulf Union - Yosr Land Transport	Inside the Kingdom "" "" ""	LIMITED LIABILITY	Construction schedules for contracting	Inside the Kingdo	LIMITED LIABILITY
Mr. Mohammed Hindi Shuja Al-Otaibi	Mohammed Bin Hindi Al-Otaibi Law Firm	Inside the Kingdom	An individual	-	-	-
Mr. Faisal Mohammed Abdul Aziz Al-Khudairi	Al Dana Manpower Recruitment Company	Inside the Kingdom	LIMITED LIABILITY	Construction schedules for contracting	Inside the Kingdom	LIMITED LIABILITY
Mr. Mohammed Saud Abdullah Al-Semari	Al Jazeera Bank Aman company for insurance agency	Inside the Kingdom	Graduated contribution Owned by - Bank Aljazira	Al Jazeera Bank	Inside the Kingdom	Graduated contributio
Mr. Iyad Abdul Rahman Muhammad Al-Bunyan	- Argan Projects Company -- St/ Knowledge Economic City Union Insurance Company	Inside the Kingdom "" "" "" "" "" ""	closed contribution Graduated contribution Graduated contribution	Inside the Kingdom Bank Albilad	Inside the Kingdom	Graduate

1	Mr. Mohamed Yaqoub Yousef Al-Makhdhab	0	100	0	100	0	0%
2	Mr. Mohammed Hindi Shuja Al-Otaibi	0	4995	0	4995	0	0%
3	Mr. Faisal Mohammed Abdul Aziz Al-Khudairi	0	10	0	10	0	0%
4	Mr. Mohammed Saud Abdullah Al-Semari	0	1000	0	1000	0	0%
5	Mr. Iyad Abdul Rahman Muhammad Al-Bunyan	0	12000	0	12000	0	0%
6	Mr. Muhammad Abdul Razzaq Aboud Al-Baghdadi*	0	100	Resigned	Resigned	Resigned	Resigned
7	Mr. Faisal Abdullah Mohammed Al-Qahtani	0	100	0	100	0	0%

*The membership of Muhammad Abdul Razzaq Al-Baghdadi ended with his resignation on 07/11/2021AD

- Senior Executives Ownership of Company Shares

A description of any interest in contractual papers and subscription rights belonging to senior executives and their relatives in the shares or debt instruments of the company or any of its subsidiaries, or any change in that interest or those rights during the fiscal year 2020.

The name	Occupation	the beginning of the year		end of the year		Net change	percentage change
		debt instruments	Number of Shares	debt instruments	Number of Shares	net change	
Mr. maqead Ibrahim Al-Otaibi's	CEO	•	•	•	•	•	0%
Mr. Khaled Saleh Al-Amoudi	Financial Director starting from 07/2021AD	•	•	•	•	•	0%
Dr. Salah Ali Mahgoub	Strategy and development manager	•	•	•	•	•	0%
Mr. Osman Mohamed Tom	Financial Director until 07/2021AD	•	•	•	•	•	0%

Mr. Muhammad Faisal Muhammad	Kingdom Sales Manager						%
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24 -A statement of the dates of the general assemblies of shareholders and the names of the members of the Board of Directors attending in 2021 AD

Assembly date	Assembly No.	Members of this assembly	the description
14/01/2021	36	M/ Khaled Abdel Aziz Al Majed	Chairman of the Board
		Dr. Turki bin Masoud Al Abbas	Managing Director
		Eng. Muhammad Ahmad Abhal Al Haider	member
		Mr. Saleh Hassan Saleh Al Yami	member
18/03/2021	37	Mr. Mohamed Yaqoub Yousef Al-Makhdhab	Chairman of the Board
		Mr. Mohammed Hindi Shuja Al-Otaibi	Vice Chairman of the Board
02/05/2021	38	Mr. Mohamed Yaqoub Yousef Al-Makhdhab	Chairman of the Board
		Mr. Mohammed Hindi Shuja Al-Otaibi	Vice Chairman of the Board
		Mr. Faisal Mohammed Abdul Aziz Al-Khudairi	Managing Director
		Mr. Mohammed Saud Abdullah Al-Semari	member
		Mr. Iyad Abdul Rahman Muhammad Al-Bunyan	member
		Mr. Muhammad Abdul Razzaq About Al-Baghdadi	member
		Mr. Faisal Abdullah Mohammed Al-Qahtani	member

25 -A statement of the number of council sessions and the number of sessions attended by each member from the date of the last meeting of the General Assembly during the year 2021 AD

Member	Total	١١/٨	٨/٨	٥/٢٢	٥/٩	percentage
<u>Muhammad Yaqoub Yusuf al-Makhdhab</u>	4	√	√	√	√	%١٠٠
<u>Mohammed Hindi Shuja Al-Otaibi</u>	4	√	√	√	√	%١٠٠
<u>Faisal Mohammed Abdul Aziz Al-Khudairi</u>	4	√	√	√	√	%١٠٠
<u>Mohammed Saud Abdullah Al-Semari</u>	4	√	√	√	√	%١٠٠

<u>Iyad Abdul Rahman Muhammad Al-Bunyan</u>	4	√	√	√	√	<u>%١٠٠</u>
<u>Muhammad Abdul Razzaq Aboud Al-Baghdadi *</u>	3	Resigned	√	√	√	<u>%١٠٠</u>
<u>Faisal Abdullah Mohammed Al-Qahtani</u>	4	√	√	√	√	<u>%١٠٠</u>

*His membership expired with his resignation on 07/11/2021AD

– √ The means adopted by the Board of Directors in evaluating its performance and the performance of its committees and members

The performance of the council and its members has not been evaluated..

– √ The number of the company's requests for the shareholders' register, the dates of the requests and their reasons.

The record of shareholders has been requested (7) times as shown below:

The number of the company's requests to the shareholders register	The date of request	Reasons for request
(١)	14/01/2021	General Assembly
(٢)	18/03/2021	General Assembly
(٣)	02/05/2021	General Assembly
(٤)	16/06/2021	Corporate Actions
(٥)	13/09/2021	Corporate Actions
(٦)	07/11/2021	Corporate Actions
(٧)	18/11/2021	Corporate Actions

28 - e-voting

According to the system, the company allowed registered shareholders to vote remotely in the general assemblies through the website of the Tadawulati service of the Capital Market Authority, and this service is available free of charge to all shareholders to participate in remote electronic voting on the items of the general assemblies meeting if they choose this path as the market authority chose Adhering to this path during the outbreak of the new Corona 19 epidemic to prevent the spread of the epidemic.

29 – Reservations of the company's auditor on the annual financial statements

There were no reservations about the auditor's report - but another matter was received

Fundamental uncertainty related to going concern:

We would like to draw attention to Note No. (2-e -) about the financial statements, which indicates that the company incurred a loss of 10.9 million Saudi riyals during the year ended December 31, 2021, in addition to the fact that the company's current liabilities as on December 31, 2021 exceeded its current assets An amount

of SAR 20,385,187, which indicates the existence of a material uncertainty, which may cast significant doubt on the Company's ability to continue as a going concern. Our opinion has not been modified in this matter.

We would like to draw attention to Note No. (2-e) on the financial statements, which indicates that the company incurred a loss of 10.9 million Saudi riyals during the year ended December 31, 2021, in addition to that the company's current liabilities as on December 31, 2021 exceeded its current assets by 20,385,187 Saudi riyals, which indicates the existence of a material uncertainty, which may cast significant doubt about the company's ability to continue as a going concern. Our opinion has not been modified in respect of this matter.

Something else:

The company's financial statements for the year ended on December 31, 2020 were reviewed by another auditor, who expressed a conservative opinion on those financial statements on March 29, 2021. The basis of the conservative opinion is that he was not able to reach sufficient conviction on the bases and assumptions used in valuing property, plant and equipment as on December 31, 2020, with a book value of SAR 95,540,216, as on December 31, 2020, and as a result he was unable to determine whether it was necessary to conduct Any adjustments relating to the balance of property, plant and equipment in the statement of financial position, items that make up the statements of comprehensive income, changes in shareholders' equity and cash flows.

30 - Remuneration Policy for Board Members and Executive Management

- The remunerations of the members of the board of directors and the council committees were limited to the rewards for attending the sessions. The Board of Directors had approved the policy of rewards for attending sessions in the first meeting of the session.
- The remuneration of the Managing Director and CEO is determined by the Board of Directors, based on the recommendation of the Nomination and Remuneration Committee upon appointment.

31- The relationship between the rewards granted and the applicable rewards policy, and an indication of any material deviation from this policy:

The rewards are awarded following the applicable policy and no deviation from it has been recorded.

32 - Remuneration and compensation for members of the board of directors

The company pays remunerations and expenses instead of attending sessions to members of the Board of Directors and members of the committees emanating from the Board, in accordance with the company's articles of association. No other remuneration was paid to members of the Board of Directors.

Remuneration and compensation for members of the board of directors (SR)

Board of Directors	Fixed Reward							Variable Reward						End of service Benefits	total summation	expense allowance
	a certain amount	Allowance for attending council sessions	Allowance for attending committee sessions	In-kind benefits	Rewards for technical, administrative and advisory work	Remunerations of the chairman of the board of directors, the managing director, or the secretary, if he is a member	Total	percentage of profits	Regular bonus	short term motivational plans	long term motivational plans	Granted Shares	Total			
<u>First, the independent members</u>																
Mr. Mohamed Yaqoub Yousef Al-Makhdhab	-	21000	6000	12000	-	-	39000	-	-	-	-	-	-	-	39000	-
Mr. Mohammed Hindi Shuja Al-Otaibi	-	21000	21000	8000	-	-	50000	-	-	-	-	-	-	-	50000	-
Mr. Mohammed Saud Abdullah Al-Semari	-	21000	27000	8000	-	-	56000	-	-	-	-	-	-	-	56000	-
Mr. Iyad Abdul Rahman Al-Bunyan	-	21000	6000	8000	-	-	35000	-	-	-	-	-	-	-	35000	-
Mr. Faisal Abdullah Mohammed Al-Qahtani		21000	63000	8000			92000								92000	
Total	-	105000	123000	44000	-	-	272000	-	-	-	-	-	-	-	272000	-
<u>Second: Non-executive members</u>																
Mr. Muhammad Abdul-Raziq Al-Baghdadi*	-	18000	-		-	-	18000	-	-	-	-	-	-	-	18000	-
Total	-	18000	-		-	-	18000	-	-	-	-	-	-	-	18000	-
<u>Second: the executive members</u>																
Mr. Faisal Mohammed Al-Khudairi **	-	21000	6000	163494	528613	-	719107	-	-	-	-	-	-	-	719107	-
Dr. Turki Masoud Mahdi (Former Managing Director)				13242			13242								13242	
Total	-	144000	123000		528613	-		-	-	-	-	-	-	-		-

* His membership expired by resignation on 07/11/2021 AD

President of Finance												
Former financial manager	139800	34950	8440	183190	19975	-	-	-	-	-	-	203165
Head of Human Resources	45510	11377	1263	58150		-	-	-		£2786	-	100936
Kingdom Sales Manager	57570	14392	14525	86487		-		-		133682	-	220169
Total	1878313	396901	64449	181100	19975	-		-		176468	-	2007493

* In-kind benefits include housing allowance, medical insurance, airline tickets, assignments, transfers, and training courses

* Short-term incentive plans that include sales commission for the sales manager

* Allowances include the allowance for attending the meetings of the Board of Directors and the Remuneration and Nominations Committee at the beginning of the session for the Secretary who is from outside the Board of Directors

34 - Board committees and their duties

Description of board committees and their duties

At the beginning of the session, the Board of Directors formed the Remuneration and Nomination Committee of three members, which included the Remuneration Committee and the Nomination Committee in one committee. All of its members are independent. The Council also formed another committee, the Executive Committee, and prepared and approved the bylaw that organizes its work.

As for the Audit Committee, it was formed from three members by a decision of the company's Ordinary General Assembly on 03/18/2021 AD. The chairman of the committee is an independent board member, and the other two members from outside the board who are specialists in financial and accounting affairs are Mr. Hani Abdullah Siraj Abul-Naga and Mr. Abdul Rahman Abdul Mohsen Suliman Balghunaim.

At the same Ordinary General Assembly, the bylaws regulating the work of the Audit Committee were approved. As well as the regulations governing the work of the Remuneration and Nominations Committee.

(34-1) - Audit Committee

Mission:

The duties and responsibilities of the audit committee are as follows:

- (1) Studying the company's initial and annual financial statements before presenting them to the board of directors and expressing its opinion and recommendation in respect of it to ensure its integrity, fairness and transparency.
- (2) Expressing a technical opinion - at the request of the board of directors - on whether the company's financial statements are fair, balanced and understandable and include information that allows shareholders and investors to evaluate the company's financial position, performance, business model and strategy.
- (3) Studying any important or unfamiliar issues included in the financial reports.
- (4) Carefully researching any issues raised by the company's financial manager, or whoever undertakes his duties, the company's compliance officer, or the auditor.
- (5) Verification of accounting estimates in the material issues contained in the financial reports.

- (6) Studying the accounting policies followed in the company and expressing an opinion and recommendation to the Board of Directors in this regard.
- (7) Studying and reviewing the internal and financial control systems and risk management in the company.
- (8) Studying internal audit reports and following up on the implementation of corrective actions for the notes contained therein.
- (9) Oversight and supervision of the performance and activities of the internal audit in the company to verify the availability of the necessary resources and their effectiveness in performing the work and tasks assigned to it.
- (10) Preparing and reciting the annual report of the Audit Committee before the General Assembly of Shareholders at its annual meeting.
- (11) To recommend to the Board of Directors to nominate and dismiss auditors, determine their fees, and evaluate their performance after verifying their independence and reviewing the scope of their work and the terms of their contract.
- (12) Verify the auditor's independence, objectivity, fairness, and the effectiveness of audit work, taking into account the relevant rules and standards.
- (13) Study the company's auditor's plan and work, and verify that he has not submitted technical or administrative works that are outside the scope of audit work, and provide its views in this regard.
- (14) Answer the company's auditor's inquiries.
- (15) Studying the auditor's report and notes on the financial statements and what has been taken in their regard.
- (16) Reviewing the results of the reports of the regulatory authorities and verifying that the company has taken the necessary measures in this regard.
- (17) Verify the company's compliance with the relevant laws, regulations, policies and instructions.
- (18) Reviewing the contracts and transactions proposed to be conducted by the company with related parties, and presenting its views in this regard to the Board of Directors.
- (19) Submit the issues it deems necessary to take action on to the Board of Directors and make recommendations for the actions to be taken.
- (20) The Audit Committee meets periodically, provided that its meetings are not less than four during the company's financial year.
- (21) The audit committee meets periodically with the company's auditor, and with the company's internal auditor.
- (22) The auditor may request a meeting with the audit committee whenever the need arises.
- (23) The audit committee has the right to review the company's records and documents.

(24) The audit committee has the right to request any clarification or statement from the members of the board of directors or the executive management.

(25) The audit committee has the right to ask the board of directors to invite the company's general assembly to convene if the board of directors obstructs its work or the company suffers serious damage or losses.

(26) For a meeting of the Audit Committee to be valid, the presence of the majority of its members is required, and its decisions are issued by the majority of the votes of those present.

(27) The remunerations of the members of the committee for attending the sessions shall be equal to the remunerations of the members of the board of directors for attending the sessions of the council.

(28) The secretariat of the Audit Committee was punished by more than one person, all of whom were outside the committee's membership.

(29) The Audit Committee held (12) meetings during the year 2021 AD. It evaluated the financial statements and exercised various control functions on the company's executive and financial performance. Each member of the committee receives an amount of 3,000 riyals as a reward for attending each session.

Audit committee meetings

Meetings	Mr. Abdullah Qahtani	Faisal Al-	Mr. Abdullah Abu Al-Naga	Hani	Mr. Abdulrahman Abdulmohsen Balghunaim
Meeting (1): 21/03/2021AD	√		√		√
Meeting (2): 23/03/2021 AD	√		√		√
Meeting (3): 27/03/2021 AD	√		√		√
Meeting (4): 06/05/2021 AD	√		√		√
Meeting (5): 21/05/2021 AD	√		√		√
Meeting (6): 13/06/2021 AD	√		√		√
Meeting (7): 01/07/2021 AD	√		√		√
Meeting (8): 17/08/2021 AD	√		√		X
Meeting (9): 08/09/2021 AD	√		X		√
Meeting (10): 14/10/2021 AD	√		√		√
Meeting (11): 01/11/2021 AD	√		√		√
Meeting (12): 05/12/2021 AD	√		√		√

Total	12	11	11
Attendance rate	100%	92%	92%

(34-2) - Remuneration and Nominations Committee

Duties and responsibilities of the Remuneration and Nomination Committee

- 1 - Preparing a clear policy for rewarding the members of the Board of Directors and the committees emanating from the Board and the Executive Management and submitting it to the Board of Directors for consideration in preparation for its approval by the General Assembly, provided that such policy is taken into account following standards related to performance, disclosure and verification of its implementation.
- 2 - Clarify the relationship between the rewards granted and the applicable rewards policy, and indicate any fundamental deviation from this policy.
- 3- Periodic review of the rewards policy and evaluation of its effectiveness in achieving the desired goals.
- 4 - Recommending to the Board of Directors the remuneration of members of the Board of Directors and its committees and senior executives of the company in accordance with the approved policy.
- 5- Proposing clear policies and criteria for membership in the Board of Directors and the Executive Management.
- 6 - To recommend to the Board of Directors to nominate and re-nominate its members in accordance with the approved policies and standards, taking into account not to nominate any person previously convicted of a breach of trust.
- 7- Preparing a description of the capabilities and qualifications required for membership of the Board of Directors and occupying executive management positions
- 8 - Determining the time that the member should allocate for the work of the Board of Directors.
- 9 - Annual review of the necessary needs for skills or appropriate expertise for membership of the Board of Directors and the functions of executive management.
- 10 - Reviewing the structure of the board of directors and the executive management and making recommendations regarding changes that can be made.
- 11- Verify annually that the 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 - Establishing special procedures in case the position of a member of the board of directors or senior executives becomes vacant.
- 13- Determining the weaknesses and strengths of the board of directors and proposing solutions to address them in line with the company's interest.
- 14- The Nomination and Remuneration Committee held (11) meetings during the year 2021 AD, and the attendance of the meetings was as follows:

Remuneration and Nomination Committee meetings

Meetings	Mr. Muhammad Saud Abdullah Al-Samary (Chairman of the Committee)	Mr. Mohammed Hindi Shuja Al-Otaibi (Member)	Mr. Faisal Abdullah Mohammed Al-Qahtani (Member)
Meeting (1), 25/02/2021 AD	√	√	√
Meeting (2), 08/04/2021 AD	√	√	√
Meeting (3), 27/05/2021 AD	√	√	√
Meeting (4), 15/08/2021 AD	√	X	√
Meeting (5), 02/09/2021 AD	√	√	√
Meeting (6), 16/09/2021 AD	√	√	√
Meeting (7), 04/11/2021 AD	√	X	√
Meeting (8), 15/11/2021 AD	√	√	√
Meeting (9), 18/11/2021 AD	√	X	√
Meeting (10), 13/12/2021 AD	√	√	√
Meeting (11), 22/12/2021 AD	√	√	√
Total	11 meetings	8 meetings	11 meetings
Attendance rate	100%	73%	100%

34.3 The Executive Committee:

The Executive Committee was formed to assist the Board of Directors in its work, conduct studies, and issue recommendations or decisions. The tasks of the Committee are as follows:

- 1- Follow up on the company's long, medium and short term strategic plans and update and review them from time to time.
- 2- Follow up the implementation of the company's financial, administrative and control policies and regulations and propose amendments to them to the Board of Directors.
- 3- Meeting with directors of departments, heads of departments, auditors, internal auditors, and everyone else involved to monitor the operational and financial performance of the company.
- 4- Follow up the implementation of the company's estimated budgets, analyze the causes of deviations - if any - and make recommendations in this regard.
- 5- Review and monitor approved capital expenditures.
- 6- Reviewing the monthly and quarterly financial statements and the final accounts of the company.
- 7- Follow up on the implementation of the important recommendations made by the internal auditor and the auditor.

- 8- Take the necessary decisions to increase the company's revenues and reduce its expenses.
- 9- Choosing and assigning consulting agencies according to what it deems for the interest of the work.
- 10- Any other tasks assigned by the Board of Directors to the Committee.

The committee met twice after its formation, and chose a secretary from outside the committee's membership.

Committee members were entitled to bonuses for attending meetings under the same conditions applicable to members of the Board of Directors.

Executive Committee Meetings

Meetings	Mr. Muhammad Yaqoub Al-Makhdhab (Chairman of the Committee)	Mr. Faisal Mohammed Al-Khudairi (Member)	Iyad Rahman Bunyan (Member)	Abdul Al-
Meeting (1): 01/09/2021 AD	√	√	√	
Meeting (2): 24/10/2021 AD	√	√	√	
Total	2	2	2	
Attendance rate	100%	100%	100%	

35 - Remuneration of Committee Members

Committee members	Number of meetings	Meeting attendance allowance (SR)
Audit Committee Members		
Mr. Faisal Abdullah Mohammed Al-Qahtani	12	36000
Mr. Hani Abdullah Siraj Abul-Naga	11	33000
Mr. Abdul Rahman Abdul Mohsen Suleiman Balghunaim	11	33000
Total	102000	
Members of the Nomination and Remuneration Committee		
Mr. Mohammed Saud Abdullah Al-Semari	11	33,000
Mr. Mohammed Hindi Shuja Al-Otaibi	8	24,000
Mr. Faisal Abdullah Mohammed Al-Qahtani	11	33,000
Total	90,000	

Executive Committee Members	Number of meetings	Meeting attendance allowance (SR)
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Mr. Muhammad Yaqoub Al-Makhdhab	2	6,000
Mr. Faisal Mohammed Al-Khudairi	2	6,000
Mr. Iyad Abdul Rahman Al-Bunyan	2	6,000
Total	18,000	

36 - Statement of loan movement

The company obtained a long-term loan from the Saudi Industrial Development Fund on 9/5/2012 for the purpose of financing a project to establish and expand a factory for the production of frozen vegetables and potatoes. The total approved loan facility amounted to 34,000,000 Saudi riyals. The loan is repaid over a period of six years and in semi-annual installments starting from August 1, 2015, and during 2016 the loan was rescheduled, with the first payment due after the rescheduling on January 2, 2019. The value of 1,000,000 Saudi riyals was paid within a year 2015 and 1,500,000 Saudi riyals during 2016 and 3,500,000 Saudi riyals during 2018, bringing the total loan value as of December 31, 2020 to 28,000,000 Saudi riyals. During 2019, the loan was rescheduled, with the first payment due after the rescheduling on 12/1/2020, and it was not paid, and during 2021, an amount of 2,500,000 riyals was paid. The loan is secured by mortgaging the whole food factory for the production of meat and the food factory for the complete freezing of vegetables in favor of the Fund as security for the loan. The loan agreement contains covenants that include among other things to limit future capital expenditures to maintain certain financial ratios.

The following is a summary of the movement of the long-term loan:

	December 31, 2021	December 31, 2020
Balance at the beginning of the year	28,000,000	28,000,000
Repaid during the year	(2,500,000)	-
Total of long-term government loan	2,500,000	28,000,000
Current portion of the long-term government loan	(19,500,000)	(12,000,000)
Non-current portion of the long-term government loan	6,000,000	16,000,000

37 - A statement of the value of the paid regular payments due to pay any zakat, taxes, fees or any other entitlements that have not been paid until the end of the annual financial period 2021 AD.

Statement	Value (SR)
Due legal zakat	1,986,049
Due social security	76,340
Pay dividends	1,193,417
Total	3,255,806

Endowment of zakat

A) Zakat position

Zakat returns were submitted to the General Authority of Zakat and Income for all years until December 31, 2020, and received a restricted certificate for the year ending on December 31, 2020, and received a final certificate valid until April 30, 2022.

During 2018, the General Authority of Zakat and Income issued preliminary assessments for the years from 2008 to 2011, and based on these assessments, the company objected to them and received the modified zakat assessment, which resulted in zakat differences of 4,021,425 Saudi riyals, and the zakat differences were recorded within the estimated zakat provision for the year 2018.

During the year 2020, the General Authority of Zakat and Income issued preliminary assessments for the years from 2014 to 2018, and based on these assessments, the company objected to them and received the modified zakat assessment, which resulted in zakat differences of 3,582,039 Saudi riyals. The company objected to the modified zakat assessment and was Receipt of an adjusted zakat assessment of 2,728,946 Saudi riyals, and the company objected to it and is awaiting a response from the General Authority of Zakat and Income, and the zakat differences were recognized within the estimated zakat provision for the year 2020.

A zakat was issued by the General Authority for Zakat and Income for the years from 2019; 2020 and was objected to by the company:

A) Movement of the estimated zakat provision

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Balance at the beginning of the year	6,393,374	4,046,301
Component during the year	1,502,571	793,951
Component during the year from previous years	483,478	2,728,946
Zakat paid during the year	(3,663,330)	(1,176,924)
Balance at the end of the year	<u>4,714,993</u>	<u>6,392,274</u>

38 - Reserves for the benefit of employees

There are no investments for this purpose, and the company makes a provision for end of service benefits for all its employees in accordance with the Saudi Labor and Workers Law, and it is paid to them at the end of their services according to the system and its total statement as follows:

Statement	Amount
Provision for end of severance pay	7,036,000

39 - Board Disclosures

The company's board of directors acknowledges the following:

- 1 - The account records have been properly prepared.
- 2 - The internal control system was prepared on sound foundations and implemented effectively.
- 3- Fundamental uncertainty, which may cast significant doubt on the company's ability to continue as a going concern.

40 - Recommendation of the Board of Directors to replace the chartered accountant

There is no recommendation to change the chartered accountant before the expiry of the appointed period.

41 - Disclosure in the Board of Directors' report of the provisions of the Corporate Governance Regulations and what have not been applied.

The company is keen to abide by the rules and regulations related to corporate governance stipulated in the Companies Law issued by the Ministry of Commerce and Investment and the regulations of the Capital Market Authority related to the rights of shareholders and commitment to transparency and continuous disclosure. Accordingly, the company has implemented all the provisions stipulated in the corporate governance rules issued by the Capital Market Authority except for the following

Article No	Article/paragraph text	Reasons not to apply
Thirty-nine	Training: The company should pay sufficient attention to training and qualifying the members of the Board of Directors and the executive management, and developing the necessary programs for this.	The article is still indicative when it is adhered to the company will apply.
forty-one	Evaluation : (A) The Board of Directors - based on the proposal of the Nominations Committee - sets the mechanisms necessary to annually evaluate the performance of the Board, its members, its committees, and the executive management, through appropriate measurement indicators related to the extent to which the company's strategic objectives are achieved, the quality of risk management, and the adequacy of internal control systems and others, provided that the strengths are determined. Weaknesses and a proposal to address them in line with the company's interest.	The article is still indicative when it is adhered to the company will apply.

	<p>(B) The performance evaluation procedures must be written and clear and disclosed to the members of the Board of Directors and the persons concerned with the evaluation.</p> <p>(C) The performance evaluation should include the skills and experiences that the council possesses, identifying weaknesses and strengths in it, while working to address the weaknesses in possible ways, such as nominating professional competencies that can develop the council's performance. The performance evaluation should also include an evaluation of the work mechanisms in the council in general.</p> <p>(D) In the individual evaluation of the members of the Board of Directors, the extent of the member's effective participation and commitment to perform his duties and responsibilities, including attending the Board's sessions and committees, and allocating the necessary time for them, shall be taken into account.</p> <p>(E) The Board of Directors makes the necessary arrangements to obtain an evaluation by a competent third party of its performance every three years.</p> <p>(F) The non-executive members of the board of directors conduct a periodic evaluation of the performance of the chairman of the board after taking the views of the executive members - without the chairman of the board attending the discussion devoted to this purpose, provided that the strengths and weaknesses are identified and a proposal is made to address them in line with the company's interest.</p>	
Sixty	A) By a decision of the company's board of directors, a committee	The Remuneration Committee was combined

	<p>called the (Remuneration Committee) shall be formed from other than the executive board members, provided that at least one independent member shall be among them.</p> <p>B) The company's general assembly, based on a proposal from the board of directors, issues a list of the work of the remuneration committee, provided that this list includes the rules and procedures of the committee's work, its tasks, the rules for selecting its members, the term of their membership and their remuneration.</p>	<p>with the Nomination Committee in one committee called the Remuneration and Nomination Committee.</p>
sixty-three	The Remuneration Committee shall meet periodically at least every (year) and whenever the need arises.	It is applied as the company is within the Remuneration and Nominations Committee in one committee.
sixty-four	A) By a decision of the company's board of directors, a committee called (the Nominations Committee) shall be formed from other than the executive board members, provided that at least one independent member shall be among them.	It is applied as the company is within the Remuneration and Nominations Committee in one committee.
Sixty-seven	The Nomination Committee shall meet at least once a year and whenever the need arises.	It is applied as the company is within the Remuneration and Nominations Committee in one committee.
Seventy	By a decision of the company's board of directors, a committee called (Risk Management Committee) will be formed, whose chairman and the majority of its members are from the non-executive board of directors. Its members are required to have an adequate level of knowledge of risk management and financial affairs.	The article is still indicative when it is adhered to the company will apply.
seventy-one	Functions of the Risk Management Committee	The article is still indicative when it is adhered to the company will apply.
Seventy-two	The Risk Management Committee meets at least every six months, and whenever the need arises.	The indicative article is still the company did not form an ad hoc committee for risk management,

		when it is adhered to, the company will apply it.
eighty-five	<p>Motivating employees: The company shall set programs to develop and stimulate participation and performance in the company, provided that they include in particular the following:</p> <p>(1) Forming committees or holding specialized workshops to listen to the opinions of the company's employees. (2) The program for granting employees shares in the company or a share of the profits it achieves and retirement programs. (3) Establishment of social institutions for the company's employees.</p>	The article is still indicative when it is adhered to the company will apply.
eighty-seven	The Ordinary General Assembly - based on a proposal from the Board of Directors - sets a policy that ensures the establishment of a balance between its goals and the goals that society aspires to achieve, for the purpose of developing the social and economic conditions of the society.	The article is still indicative when it is adhered to, and will be applied by the company, but the company participates in charitable and social activities, according to what is stated in the annual report of the Board of Directors.
eighty-eight	Social Action Initiatives	Do not apply still indicative article
Ninety	(7) The means that the board of directors relied on in evaluating the performance and performance of committees, members, and external bodies that carried out the evaluation and their relationship with the company, if any.	There are no means that the board of directors relied on in evaluating the performance and performance of committees and members, and there is no evaluation.
Ninety	(24) A description of the company's policy in distributing dividends.	<p>1- The company's dividend policy is stipulated in Articles (43 + 44) of the company's articles of association. 2- The company did not distribute dividends to shareholders during the year.</p>
Ninety	(25) A description of any interest in a class of voting shares belonging to persons (other than members of the company's board of directors, senior executives and their relatives) who have informed the	There is no notification of an interest in a class of voting shares.

	company of those rights under Article Sixty-eight of the Rules on Offering Securities and Continuing Obligations, and any change in those rights during the last fiscal year .	
Ninety-five	Formation of the Corporate Governance Committee	The article is still indicative when it is adhered to the company will apply.

42 - Results of the annual review of the effectiveness of the company's internal control procedures, and the audit committee's opinion on the adequacy of the company's internal control system.

Wafrah Company for Industry and Development has contracted with a specialized accounting office, a (RSM) company, to carry out the internal audit tasks of the company, and it is an accredited office that performs its role with high efficiency.

The consulting office was chosen by the Audit Committee on the basis of competence, and the Board of Directors accepted the office, bearing in mind that the Audit Committee is not subject to any influence by the company's board of directors or the executive management, and it has full powers to access any documents it deems necessary and help complete its work in the fullest manner. The Audit Committee seeks to monitor and review all administrative, operational and financial risks and seeks to implement the internal regulations and procedures for the purpose of internal control of the company. The Audit Committee also supervises and meets with the RSM Company that is based on the work of internal auditing. The company continuously reviews periodic reports prepared by the office on internal auditing. The Audit Committee also approves RSM's internal audit plan.

Also, the Audit Committee did not find material weaknesses that affect the adequacy of the internal control system or any material observations that require disclosure.

43 - Recommendations of the Audit Committee, which conflict with the decisions of the Board of Directors, or which the Board refused to accept regarding the appointment and dismissal of the company's auditor, determining his fees, evaluating his performance, or appointing the internal auditor.

There is no conflict between the recommendations of the Audit Committee and the decisions of the Board of Directors.

44 - The audit committee's recommendation regarding the need to appoint an internal auditor in the company in the absence of one.

The company has contracted with the (RSM) office to carry out the internal audit functions of the company, which is an accredited office and performs its role with high efficiency.

45 - Auditor of the company

The company's auditor is appointed by the ordinary general assembly based on the nomination of the board of directors, taking into account that the recommendation for his nomination is from the audit committee, and that he is licensed to audit the accounts of joint stock companies and that he fulfills the conditions prescribed by the competent authority and that his interests

do not conflict with the interests of the company, and that he has experience and competence and honesty.

46 - Accounting Standards Applicable in Wafra Company for Industry and Development

There is no difference in the accounting standards applied in Wafra for Industry and Development, which are the international financial reporting standards in the Kingdom of Saudi Arabia, and other standards and versions approved by the Saudi Organization for Certified Public Accountants.

47 - Subsidiaries of the company

There are no subsidiaries of Wafrah Company for Industry and Development.

48 - Shares and debt instruments in subsidiaries

There are no shares and debt instruments in subsidiaries.

49 - Description of any voting share class of shares

There are no voting shares and there is no notification of them.

50 - A description of the classes and numbers of any convertible debt instruments and any contractual securities or memoranda of subscription right or similar rights issued or granted by the company during the year.

None

51 - A description of any transfer or subscription rights under convertible debt instruments, contractual securities, subscription right memoranda, or similar rights issued or granted by the company.

None

52 - A description of any redemption, purchase or cancellation by the company of any redeemable debt instruments and the value of the remaining securities, with a distinction between the listed securities purchased by the company and those purchased by its subsidiaries.

None

53- A description of any interest in the class of voting shares belonging to persons (other than members of the company's board of directors, senior executives and their relatives) who have informed the company of those rights under Article 45 of the registration and listing rules, and any change in those rights during the last fiscal year.

None

54 - The treasury shares held by the company and details of the uses of these shares.

None

55 - A description of any capacity between the company and a related party

There is a relationship between the company and a related party, which is Rakhaa Company for Agricultural Investment and Development (a sister company), and the related party is required on December 31, 2021 AD, an amount of 1,280,576 Saudi riyals.

During the normal course of its business, the company had a deal with a related party, a member of the board of directors, Mr. Muhammad Abdul Razzaq Al-Baghdadi, through two companies (net deal of 110,730 riyals), who started his dealings with the company before he was elected to the board of directors of the company, and his companies did not receive any preferential treatment.

56 - Contracts between the company and other parties

The company acknowledges that there are no contracts related to any business or contracts in which the company is a party or in which a member of the board of directors, the chief executive officer, the financial manager or any related person has an interest.

57 - A statement of any arrangements or agreement under which a member of the Board of Directors or a senior executive has waived any salary or compensation

▪ There are no arrangements or agreements whereby a member of the Board of Directors or a senior executive has waived any salary or compensation.

58 - A statement of any arrangements or agreement that one of the company's shareholders waive any rights to profits.

There are no arrangements or agreements under which one of the company's shareholders has waived any rights to profits.

59 - Penalties and penalties applied to the company

No penalties, penalties or precautionary restrictions imposed by the Capital Market Authority or any other supervisory, regulatory or judicial authority were applied to the company during the year 2021 AD.

60 - Social Responsibility

(60 - 1) Human Resources

The company has developed human resources, and the company has maintained its record of employing distinguished Saudi cadres, focusing on hiring and training Saudis, and conducting training courses for workers through specialized training centers to stimulate the capabilities of workers at all levels and emphasizing obtaining further development, which will positively reflect on employee satisfaction and increase their productivity and stability. The women's section has also developed by appointing a larger number of female employees to work in the administrative, procurement and accounting fields, as well as on production lines. The company also offers bonuses, bonuses and sales commission programs.

(60-2) Training of university students:

The company trains King Saud University students with two types of training:

1- Field visits to factories as part of the academic courses so that those registered in the course receive practical training related to the content of the course.

2- Giving the opportunity for some final year students to conduct a graduation research in the company and to supervise the technical aspect of the research.

(60 - 3) Total Quality

The company's management seeks to maintain the highest levels of quality for its products and to keep pace with the requirements of international standards in order to achieve the highest levels of customer satisfaction and to ensure that the consumer obtains high quality products. Work is still going on to develop quality management, food safety, occupational health and environmental safety.

(60-4) Development and development of employees and appreciation of their achievements

The company motivates the workers, and holds specialized workshops to listen to the workers and discuss them on issues related to work. It has also been interested in training and qualifying its cadres with recognized training companies. The company maintains jobs for citizens with special needs in line with their abilities and the nature of their disability.

(60 - 5) Health and safety of employees

The company provides health care for workers and their families, and takes care of safety measures while performing work and providing security tools to preserve the lives of workers.

61 - The most important events during the fiscal year ending on December 31, 2021 AD

- On 14/01/2021 AD, the Ordinary General Assembly, at the request of some shareholders, approved the dismissal of the Board of Directors after a year and a half of its election, and the Audit Committee was also dismissed. The same general assembly elected a new board of directors, which assumed its duties on January 14, 2021 AD.
- On March 18, 2021 AD, the Audit Committee was formed by the Ordinary General Assembly, and the Committee included two members from outside the Board of Directors.
- On March 22, 2021 AD, the CEO was dismissed from his position and the Deputy CEO was appointed in his position.
- On 05/22/2021 AD, the Board of Directors issued a recommendation to increase the company's capital by an amount of 154,340,700 Saudi riyals through a rights issue, so that the company's capital would increase - upon approving the capital increase - from 77,170,350 riyals to 231,511,050 riyals.
- On 15/07/2021 AD, the company appointed Al Jazira Capital as a financial advisor to manage the process of increasing the company's capital by offering priority rights shares and taking all related procedures.

- On 05/10/2021 AD, the company signed a memorandum of understanding with the Dutch company Schaab to develop and distribute seed varieties for industrial potatoes in the Kingdom of Saudi Arabia for a period of 36 months.
- On 01/12/2021 AD, AlJazira Capital, the financial advisor to increase the capital file, submitted a file to increase the company's capital by offering priority rights shares to the Capital Market Authority.
- On 11/12/2021 AD, the company announced that the Board of Directors accepted (by passing) the resignation of the CEO from his position.

62 - Final Speech

Proceeding from the principle of transparency and clarification of what the company's board of directors has done during the year 2021AD and in compliance with the directives of the regulatory authorities, the board of directors issues this annual report to the shareholders explaining the work carried out by the board and the challenges the company faced during the financial year ending on 31/12/2021AD.

We also promise the shareholders that the new year will be better than the previous one, and we hope that the company will recover after the critical circumstances dictated by local, regional and international conditions.

In conclusion, the company's board of directors and its employees extend their highest thanks and appreciation to the Custodian of the Two Holy Mosques, his faithful Crown Prince, his wise government and its institutions for the unlimited support of the private sector, especially the listed public companies.

We also extend our thanks and gratitude to the honorable shareholders who put their trust in the Board of Directors and supported the Board and supported it with their ideas and suggestions, and they are looking forward to a better future for the company, the omens of which has begun thanks to God.

We thank the company's employees for their sincerity and dedication to work for the advancement and advancement of the company, and we are now more confident and optimistic about overcoming obstacles and launching into wider horizons in the near future, God willing.

Muhammad Yaqoub Yusuf al-Makhdhab
Chairman of Board of Directors