



دار المعدات الطبية والعلمية  
Scientific & Medical Equipment House



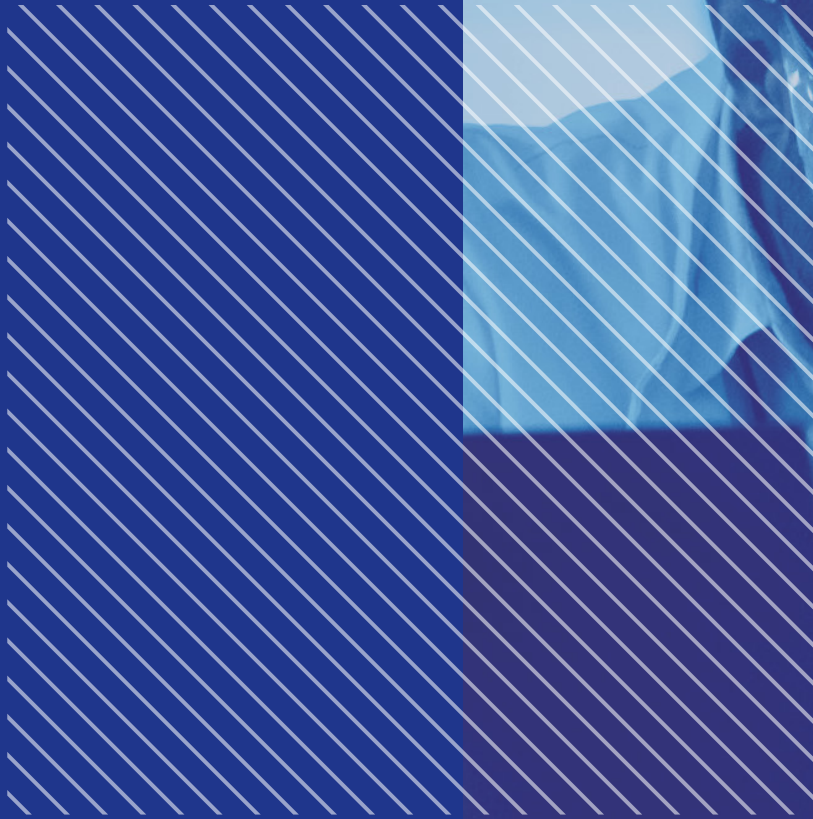
# Annual Report



# 2022

[smeh.com.sa](http://smeh.com.sa)

# Table of Contents



# 1 INTRODUCTION AND OVERVIEW OF THE COMPANY AND ITS SUBSIDIARIES

1-1 Chairman's Statement.	08
1-2 At a glance on the company, incorporation and capital development	10
1-3 Board of Directors	12
1-4 Company's Main Activities and Sectors	20
1-5 Subsidiaries and/or Owned Companies	24
1-6 Overview of the Company Departments	27
1-7 Vision	31
1-8 Mission	31
1-9 Company's Values	31
1-10 Company's Strategy	32

# 2 BUSINESS RESULTS

2-1 Annual financial results for the fiscal year ending on December 31, 2021G	36
2-2 Geographical Analysis of Revenue	38
2-3 Segment Report for the last (5) years	40
2-4 Business results analysis for the last (5) years	42
2-5 Assets, liabilities and shareholders' equity for the last (5) years	44
2-6 Information related to the company's loans	46

# 3 DIVIDEND DISTRIBUTION

3-1 Company's Dividends Policy	50
3-2 Dividend analysis (declared/distributed) for the last (5) years	51

## **4** BOARD OF DIRECTORS, GENERAL ASSEMBLY AND CORPORATE GOVERNANCE

4-1 Record of board meetings and resolutions for the year 2021G:	54
4-2 Record of meetings and resolutions of the general assembly 2021:	57
4-3 Board Committees	59
4-4 Actions taken by the board to inform the members with shareholders' proposals and comments	68
4-5 Evaluating the performance of BOD's members and the executive management	68
4-6 The audit committee's opinion on the company's internal control system	69
4-7 Remunerations of members of the board of directors, affiliated committees, and executive management (CEO - CFO)	70

## **5** Regulatory DISCLOSURES

5-1 Agreements, businesses and contracts concluded between the company and related parties	76
5-2 Regulatory payments paid and due during the year 2021G	80
3-3 Investments and reserves for the benefit of the company's employees	81
5.4 Fines and penalties	81
5.5 Social contributions of the company	82
5-6 Application of International Financial Reporting Standards (IFRS) applicable to the company	83
5-7 Deviation from the accounting standards approved by the Saudi Organization for Chartered and Professional Accountants - SOCPA (formerly Certified Public Accountants)	83
5-8 Declarations by company's External Auditor	84
5-9 Board of directors' recommendations regarding the company's auditor	84
5-10 Compliance with the Clauses of Corporate Governance Regulations issued by the Capital Market Authority	85

## **6** DECLARATIONS

Scientific & Medical  
Equipment House

# Latest health care services Operation and medical maintenance and non-medical





# 01

# **INTRODUCTION AND OVERVIEW OF THE COMPANY AND ITS SUBSIDIARIES**

# Chairman's Statement



**Basil Al-Arifi**

Chairman

# Financial results Distinguished



Dear valued Shareholders of Scientific & Medical Equipment House,  
Peace, mercy, and blessings of Allah be upon you,

From myself, and on behalf of the members of the Board of Directors and the Executive Management, I would like to extend my wholehearted gratitude and appreciation to all shareholders of the company for their continued confidence in the company's management. I also thank the company's employees for their dedication and efforts that enabled the company to achieve its goals for the year 2021G.

On my own behalf and on behalf of the members of the Board of Directors, I am pleased to share with you the annual report of the Board of Directors for the year ended 31 December 2021G, which sheds light on the company's major activities, business and financial results.

## 2021 **A Distinguished year.**

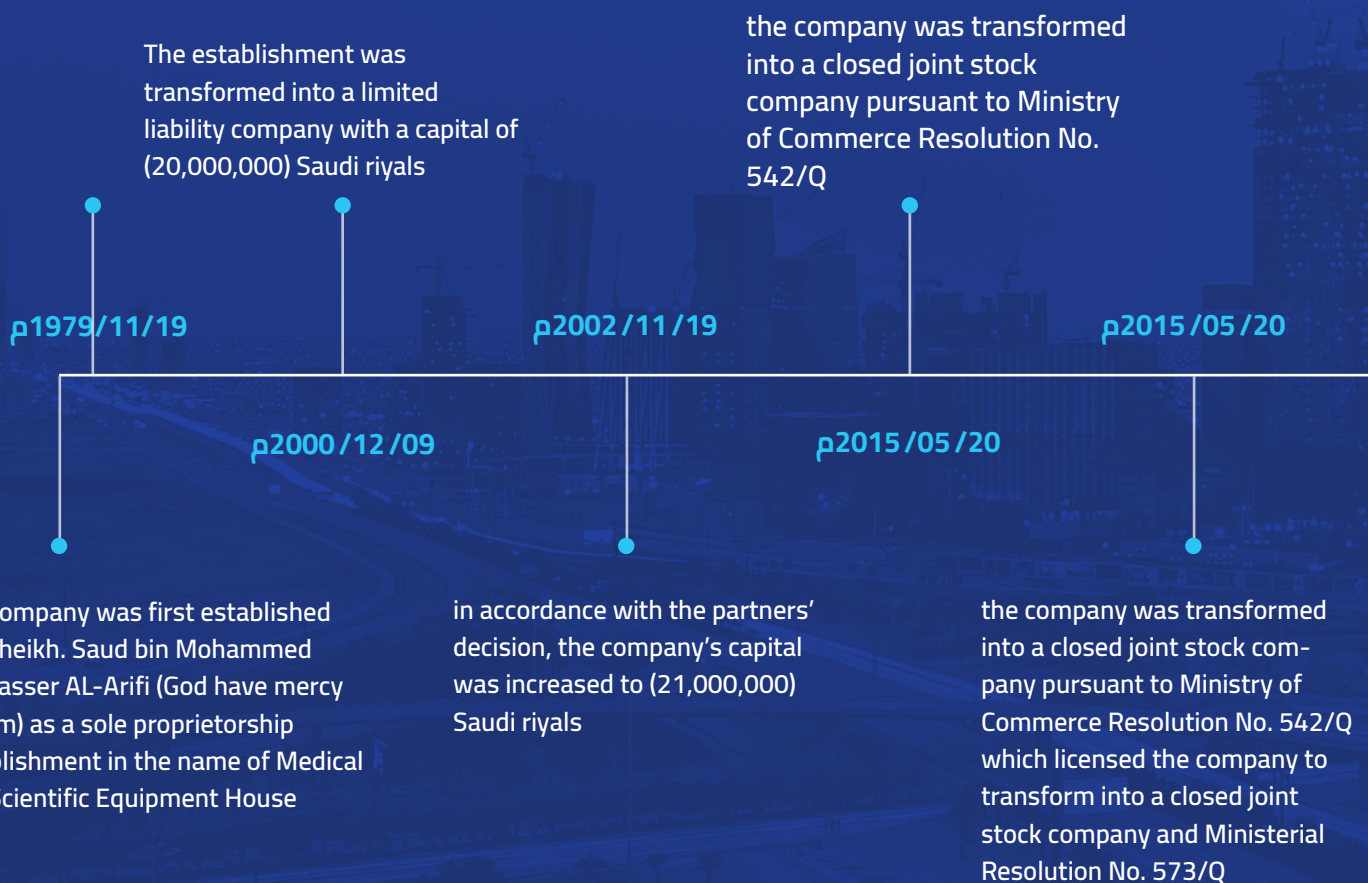
Indeed, the year 2021 was a distinguished one at various levels for the company. The year started with the company's obtaining approval of the Saudi Capital Market Authority to list its shares on the Saudi Stock Exchange (Tadawul). The company's performance was remarkable as witnessed from its distinguished financial results thanks to the help of Allah Almighty and then the outstanding performance of our employees under the wise directions of the Board of Directors and Executive Management.

During the coming period, the company looks forward to maximizing the benefit of its operational and managerial capabilities in all its various fields of business, coupled with maximizing the investment return for shareholders, as well as active participation in advancing the economic development wheel in line with the objectives of the Kingdom's Vision 2030.

In conclusion, I am pleased to extend my heartfelt thanks to the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al Saud, and His Highness the Crown Prince, Prince Mohammed bin Salman bin Abdulaziz Al Saud for all their great interest and generous care to support all fields of business in the Kingdom, asking the Lord Almighty, that the year 2022G be a year full of achievements and successes for our company, and that it perpetuate the growth and prosperity of our Kingdom under its wise leadership.

# Since

# 1979



# At a glance on the company, incorporation and capital development

approving the announcement of the company's transformation from a limited liability company to a closed joint-stock company and keeping the same commercial registration number 1010166664 issued from Riyadh

the company's capital was increased to (200,000,000) Saudi riyals divided into (20,000,000) ordinary shares at a nominal value of (10) Saudi riyals per share

The company's shares were listed on the Saudi Stock Exchange (Tadawul).

٢٠١٥ / ٠٧ / ٠١

٢٠١٦ / ٠٦ / ٢٣

٢٠٢١ / ١١ / ٠٣

٢٠١٧ / ٠٦ / ٠٨

٢٠٢٢ / ٠٢ / ٢٨

the company's capital was increased to (120,000,000) Saudi riyal as approved by the extraordinary general assembly

the Capital Market Authority approved the company's request to offer (6,000,000) shares for public listing, representing (30%) of the company's shares

# Board of Directors

The company's management is characterized by professionalism and experience, as well as stability and keeping pace with developments since its establishment along with its ability to expand by adding new activities and businesses in all operating sectors in the company. The company's board of directors consists of (6) members:



## Basil Saud Mohammad Al-Arifi



Chairman of the Board  
of Directors



Saudi



Non-independent/  
Nonexecutive

Mr. Basil Al-Arifi is the Chairman of the Board of Directors of the company since 2015G for the second term, in addition to being a member of the company's risk committee. He currently holds the following positions:

- Director of German Metal Surface Treatment Chemicals Co. (closed joint stock), chemical sector, from 2017G to date.
- Director, Saud Al-Arifi Endowment Company (limited liability company), real estate sector, from 2017G to date.
- Managing Director, the National Company for Sulphur Products (NCSP) (closed joint stock), chemical sector, from 2016G to date.
- Managing Director, Deerah Al Ammar Real Estate Company (closed joint stock), real estate sector, from 2016G to date.
- Director, Roaa Al Hymaya (Protecta Vision) (limited liability company), specialized medical devices maintenance sector, from 2016G to date.
- Board Chairman, Girgas Pharmaceutical Warehouse Co. (limited liability company), pharmaceutical, medical supplies, pharmacies, and cosmetics sector, from 2015G to date.
- Director, Rawabi Marketing International (RMI) (closed joint stock), chemical sector, from 2015G to date.



## Bandar Saud Mohammad Al Arifi

 Deputy Chairman

 Saudi

 Non-independent/  
Nonexecutive

Mr. Bandar Al-Arifi is the Deputy Chairman of the Board of Directors since 2015G for the second term, in addition to being a member of the Company's Nominations and Remunerations Committee. He currently holds the following positions:

- Board Chairman, NABD Medical Industries, (a limited liability company), operating in the medical manufacturing, from 2019G to date.
- Director, German Metal Surface Treatment Chemicals Co., a closed joint stock company, operating in the chemical sector, from 2017G to date.
- Director, Saud Al-Arifi Endowment Company, a limited liability company, operating in the real estate sector, from 2017G to date.
- Board Chairman, National Company for Sulphur Products (NCSP), a closed joint stock company, operating in the chemical sector, from 2016G to date.
- Director, Deerah Al Ammar Real Estate Company, a closed joint stock company, operating in the real estate sector, from 2016G to date.
- Director, Roaa Al Hymaya (Protecta Vision), a limited liability company, operating in the specialized medical devices maintenance sector, from 2016G to date.
- Deputy Chairman, Rawabi Marketing International (RMI), a closed joint stock company, operating in the chemical sector, from 2015G to date.
- Director, Girgas Pharmaceutical Warehouse Co., a limited liability company, operating in the pharmaceutical, medical supplies, pharmacies, and cosmetics sector, from 2015G to date.
- Director and Founder, Uni Land Trading Co. (Sole Proprietorship), wholesale of medical devices and equipment and electronic appliances, from 2003G to date.



## Barakat Saud Mohammad Al-Arifi



Managing director and  
Chief executive officer



Saudi



Non-independent/  
Executive

Mr. Barakat Al-Arifi is the Managing Director of the Company since 2015G for the second term, in addition to being the CEO of the company. He currently holds the following positions:

- Board Chairman, German Metal Surface Treatment Chemicals Co. (closed joint stock), chemical sector, from 2017G to date.
- Director, Saud Al-Arifi Endowment Company (limited liability company), real estate sector, from 2017G to date.
- Deputy Chairman, Roaa Al Hymaya (Protecta Vision) (limited liability company), specialized medical devices maintenance sector, from 2016G to date.
- Director, the National Company for Sulphur Products (NCSP) (closed joint stock), real estate sector, from 2016G to date.
- Director, Deerah Al Ammar Real Estate Company (closed joint stock), real estate sector, from 2016G to date.
- Deputy Chairman, Girgas Pharmaceutical Warehouse Co. (limited liability company), pharmaceutical, medical supplies, pharmacies, and cosmetics sector, from 2015G to date.
- Director, Rawabi Marketing International (RMI) (closed joint stock), chemical sector, from 2015G to date.
- Director and Founder, Barakat Al Khair Trading Co. (Sole Proprietorship), wholesale of medical devices and equipment and electronic appliances, from 2003G to date.



## Bashir Saud Mohammed Al-Arifi

 Board Member and Board Secretary

 Saudi

 Non-independent/  
Nonexecutive

Mr. Bashir Al-Arifi is a member of the company's board of directors since 2015G for the second term, in addition to being a member of the company's nominations and remuneration committee. He holds a bachelor's degree in Commerce specializing in quantitative methods and statistics from King Saud University, Saudi Arabia in 2009. He currently holds the following positions:

- Managing Director, German Metal Surface Treatment Chemicals Co. (closed joint stock), chemical sector, from 2017G to date.
- Director, Saud Al-Arifi Endowment Company (limited liability company), real estate sector, from 2017G to date.
- Chairman, Deerah Al Ammar Real Estate Company (closed joint stock), real estate sector, from 2016G to date.
- Deputy Chairman, the National Company for Sulphur Products (NCSP) (closed joint stock), real estate sector, from 2016G to date.
- Director, Roaa Al Hymaya (Protecta Vision) (limited liability company), specialized medical devices maintenance sector, from 2016G to date.
- Managing Director, Rawabi Marketing International (RMI) (closed joint stock), chemical sector, from 2015G to date.
- Director, Girgas Pharmaceutical Warehouse Co. (limited liability company), pharmaceutical, medical supplies, pharmacies, and cosmetics sector, from 2015G to date.



## Mohammed Ibrahim Abdul Mohsen Al-Hokail

 Board Member

 Saudi

 Independent/  
Nonexecutive

Mr. Mohammad Al-Hugail is a member of the company's board of directors since October 2019 for the second term, in addition to being the Chairman of the Nominations and Remunerations Committee and a member of the company's risk committee. He holds a bachelor's degree in Sharia from Imam Mohammed bin Saud Islamic University, Kingdom of Saudi Arabia, 200G. He currently holds the following positions:

- A notary certified by the Ministry of Justice - Saudi Arabia, from 2016G to date.
- Partner and Founder, Mohammed bin Ibrahim Al-Hugail and Co. Law Firm (professional company), operating in the consultations sector, from 2008G to date.



## Bayan Khalil Suleiman

 Board Member

 Jordanian

 Independent/  
Nonexecutive

Mr. Bayan Suleiman is a member of the company's board of directors since October 2019G for the second term, in addition to being the Chairman of the company's risk committee. He holds a bachelor's degree in Accounting from the University of Jordan, 2003. He currently holds the following positions:

- Managing Director, Rawabi Marketing International (RMI) (closed joint stock company), real estate sector, from 2015G to date.



The board of directors has the widest powers in managing the company and its affairs inside and outside the Kingdom without prejudice to the competencies of the General Assembly of Shareholders, as stipulated in the Company's By-Laws.



## The responsibilities of the board of directors include the following:

- 1** The board of directors represents all shareholders and must exercise the duties of care and loyalty in managing the company and everything that would safeguard its interests, develop and maximize its value.
- 2** The company's board of directors holds the responsibility on its actions, even if it delegates authority to committees, agencies, or individuals to exercise some of its powers. In all cases, the board of directors may not issue a general or indefinite power of attorney.
- 3** lay out plans, policies, strategies, and the main objectives of the company, supervise their implementation, review them periodically, and ensure the availability of the necessary human and financial resources to achieve them, including
  - Develop, review and direct the company's overall strategy, main business plans, and risk management policies and procedures.
  - Determine the optimal capital structure for the company, its strategies and financial objectives, and approve all kinds of projected budgets.
  - Oversee the company's major capital expenditures and acquire and dispose of assets.
  - Setting performance objectives and monitoring implementation and overall performance in the company.
  - Periodic review and approval of organizational and functional structures in the company.
  - Verify the availability of human and financial resources necessary to achieve the company's objectives and main plans.

- 4** Establish systems and controls for internal control and provide general supervision over them, including
  - Develop a written policy to address actual and potential conflict of interest cases for board members, executive management, and shareholders, including misuse of the company's assets and facilities and misconduct resulting from transactions with related parties.
  - Ensure the integrity of the financial and accounting systems, including those related to the preparation of financial reports.
  - Ensure the application of appropriate control systems for measurement by developing a general perception of the risks that the company may face, create an environment that is familiar with the culture of risk management at the company level, and share it transparently with the company's stakeholders and related parties.
  - Annual review of the effectiveness of the company's internal control procedures.
- 5** Prepare clear and specific policies, standards and procedures for membership of the board of directors in a manner that does not conflict with the mandatory provisions and put them into practice after approval by the General Assembly.
- 6** Develop a written policy regulating the relationship with stakeholders in accordance with the provisions of the regulation.
- 7** Develop policies and procedures that ensure the company's compliance with laws and regulations as well as commitment to disclose material information to shareholders and stakeholders and verify compliance with them by the executive management.
- 8** Supervise the company's financial management, cash flows, and financial and credit relations with others.
- 9** Propose to the extraordinary general assembly what it deems appropriate regarding the following:
  - Increasing or decreasing the company's capital.
  - Dissolving the company before the deadline specified in the company's articles of association or deciding its continuation..
- 10** Propose to the Ordinary General Assembly what it deems appropriate regarding the following:
  - Use of the company's consensual reserve in case it was formed by the extraordinary general assembly and not allocated for a specific purpose.
  - Create additional reserves or financial allocations for the company.
  - Method of distributing net profits of the company..

- 11** Prepare and approve the company's interim and annual financial statements before publishing them.
- 12** Prepare and approve the board of directors' report before its publication.
- 13** Ensure the accuracy and integrity of the data and information to be disclosed, in accordance with the applicable disclosure and transparency policies and Laws.
- 14** Establish effective communication channels that allow shareholders to review on a continuous and periodic basis the various aspects of the company's activities and any material developments.
- 15** Forming specialized committees emanating from it by decisions specifying the duration of the committee, its powers and responsibilities and how the board will monitor its, provided that the formation decision includes naming the members and defining their tasks, duties, and rights, along with evaluating the performance of such committees and their members.
- 16** Determine the types of remunerations granted to company employees, such as fixed remunerations, performance-related bonuses, and bonuses in the form of shares, in a manner that does not conflict with the regulatory controls and procedures issued in implementation of the Companies Law for Listed Joint Stock Companies.
- 17** Setting the values and standards that govern work in the company.



# Company's Main Activities and Sectors



## Medical operation and Hospital management

Medical operation activities include providing specialized human resources in the medical sector such as doctors, nurses, specialists and consultants. The company is currently operating and managing a number of medical facilities for a number of government agencies (such as university medical centers affiliated with the Ministry of Education and public hospitals). The company's name has been associated with a number of public hospitals and other medical facilities in the Kingdom.

## Non-medical operation and maintenance

It is related to maintenance services, cleaning and non-medical operation of health facilities and others, by providing adequate support to the infrastructure in those facilities to ensure the provision of the most appropriate environment for work. Medical and maintenance. In this regard, the company relies on its more than four decades of experience in carrying out its tasks, mainly related to non-medical services in medical facilities and maintenance. For example, providing human resources, including engineers, technicians, labor and security guards, cleaning services, supplying hygiene materials and water, in addition to maintaining non-medical devices, systems, equipment, consumables and spare parts.

## Maintenance and operation of medical devices and equipment

It is related to the provision of medical maintenance services necessary for medical devices and equipment, as the company is one of the most important service providers in the field of maintenance and repair of medical devices and equipment, and it is one of the leading companies in its field of work. Medical maintenance services have received concurrence and approval from all customers, whether in the public or private sectors. The company conducts currently, medical equipment maintenance works for many health facilities in most regions of the Kingdom.

## Catering & Food supply

It is related to the provision of catering services, cooked and uncooked food catering to hospitals in the Kingdom, supply of foodstuffs, meat, poultry products, vegetables and fresh and frozen fruits to hospitals and all sectors in the Kingdom. The company provides its services through a work system based on the latest international and health-related standards to ensure the best results for its customers. The catering activity is also characterized by the ability to supply all types of foods for special medical cases such as children, infants, childbirth and other cases that depend on providing special nutrition and according to doctors' directions of the treating doctors.



## Commercial sector

### (sales of medical devices and supplies and after-sales maintenance services)

The company owns (22) commercial agencies (exclusive - distribution) for leading international companies in the field of medical devices and equipment. The company is considered an official commercial agent for these international companies in the Kingdom of Saudi Arabia, which contributes to providing integrated medical services to its clients in the public and private sectors, including selling and supplying medical equipment and devices, in addition to their maintenance and operation.

## Contracting and Construction Sector

It is related to general contracting and construction of buildings, roads, bridges, electrical, electronic, and mechanical works, in the governmental and private sectors. The company is classified in the first grade by Contractors Classification Agency of the Ministry of Municipal and Rural Affairs, including electrical and mechanical works. The company enjoys the confidence of its customers, as reflected in the size of the projects implemented by it to date, which include building hospitals, medical facilities, military facilities, educational facilities, and provision of necessary infrastructure services such as fire extinguishing systems, security system, etc.

The company endeavors to develop its products and services to meet the evolving needs of markets and take advantage of its competitive strength that stems from the diversity of its activities and sectors, which is reflected on the development of the financial and competitive performance of the company, and hence prompts it to develop carefully drawn plans to expand in all sectors to acquire the largest percentage of the total The competitive market, which will have a significant impact on consistently meeting the needs of customers and providing its various activities.

The company pays great attention to achieving international quality standards, which is clearly reflected on the efficiency of its business as well as its ability to organize administrative processes in an institutional and methodological manner. The company has started to implement the international quality system and obtained the following certificates, all of which are valid until 2023:



### International Quality Certificate

for the quality of the company's  
management system  
(ISO 9001:2015)  
from INTERCERT



### International Quality Certificate

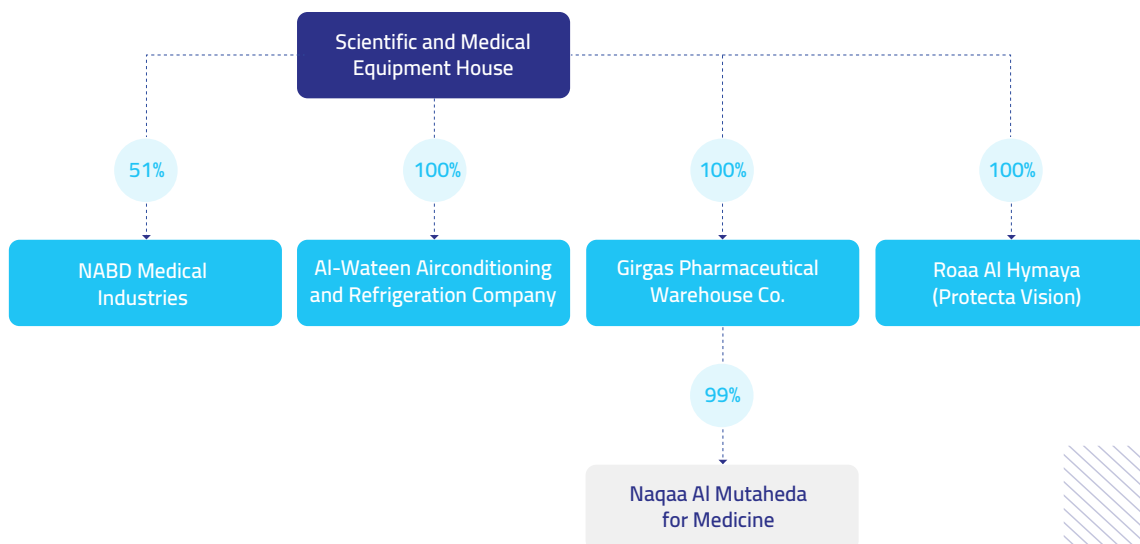
for the Company's Occupational Health  
and Safety Management System  
(ISO 45001:2018)  
from INTERCERT

The criteria for obtaining a comprehensive quality certificate include the satisfaction extent of the beneficiaries from the company's customers, quality of the self-evaluation procedures to improve performance, comprehensive review of all organizational forms and procedures for improvement, documentation of results and processes, statistical data collection and employment on an ongoing basis, internal and external audits and other criteria



# Subsidiaries and/or Owned Companies

The company owns stakes in four limited liability companies, which are Roaa Al Hymaya (Protecta Vision), Girgas Pharmaceutical Warehouse Co, Al-Wateen Air Conditioning and Refrigeration Company, and NABD Medical Industries Company. The following figure shows the ownership structure of the company and its subsidiaries:



## Roaa Al Hymaya (Protecta Vision)

It is a limited liability company with a capital of (2,000,000) Saudi riyals, 100% owned by Scientific & Medical Equipment House. The Roaa Al Hymaya Company conducts several activities, including import, export, wholesale and retail trade in electronic, electrical and mechanical equipment and devices, laundries, incinerator equipment, pumps, generators and their spare parts and maintenance as well as maintenance of specialized medical devices.



## **Girgas Pharmaceutical Warehouse Co.**

It is a limited liability company with a capital of (500,000) Saudi riyals, 100% owned by Scientific & Medical Equipment House. Girgas Pharmaceutical Warehouse Co. carries out the activity of drug warehouses and retail sale of medical devices, equipment and supplies. Girgas Pharmaceutical Warehouse Co. owns a 99% stake in Naqaa Al Mutahe-da for Medicine Company, the main activity of which is in pharmacies, drug warehous-es, and wholesale and retail sale of devices, equipment and medical supplies.

## **Naqaa Al Mutahe-da for Medicine**

It is a limited liability company with a capital of (50,000) Saudi riyals, (99%) owned by of Girgas Pharmaceutical Warehouse Co. in partnership with Mr. Imad Hamza Abdullah Al-Sobky who owns (1%) stake. Naqaa Al Mutahe-da for Medicine conducts business in retail sale and wholesale trade of devices, equipment, medical supplies, scientific devic-es, pharmacies and drug stores, and selling medicines.

## **Wateen Airconditioning and Refrigeration Company**

It is a limited liability company with a capital of (500,000) Saudi riyals, 100% owned by Scientific & Medical Equipment House. Wateen Air Conditioning and Refrigeration Company is engaged in the installation, maintenance and repair of refrigeration and air conditioning systems.



## NABD Medical Industries

It is a limited liability company with a capital of (4,000,000) Saudi riyals, (51%) owned by Scientific & Medical Equipment House, jointly with the Multi-Zone Medical Company, a limited liability company with commercial registration No. 1010497509, dated 04/27/1438H (49%). NABD Medical Industries operates in the manufacture of pacemakers, electrocardiograph devices, catheter, feeding and suction tubes, and so on.

NABD Medical Industries has obtained a license to start its factory production of “arterial catheter balloons” from the Food and Drug Authority, as the first Saudi product in the Gulf, Middle East and North Africa region of this type, to complement the company’s strategic plan and keep pace with its goals and objectives of the Kingdom’s Vision 2030 by promoting development in all aspects of the medical manufacturing sector in the Kingdom.



# Overview of the Company Departments

The company comprises several departments concerned with services, public policies and strategic plans. Several sub-sections fall under the main department that support its various business and activities. Each department includes a full functional cadre of competent administrators and professionals in various disciplines.

Following is a brief description of the main Managerial support departments in the company:



## Financial Department

The company's financial department is responsible for managing and processing all activities related to cash operations, financing, investment and settling the company's obligations. In addition to those, it is responsible for good cash management (inbound and outbound cash flows), planning and investment to generate funds and optimum use of them in order to achieve the company's objectives, maximize market value of its shares, implement project programs as planned with the highest level of efficiency, quality and profitability at the lowest possible cost.



## Human Resources and Administrative Affairs Department

Human Resources Department is responsible for developing and implementing human resources strategies, developing policies and procedures related to the effective management of human resources and the company's administrative affairs, developing, and using them effectively, as well as attracting, appointing, developing and retaining employees, evaluating the company's organizational structure and job tasks as well as laying out job descriptions for jobs. The Human Resources Department also supervises the preparation and review of the general framework for job grades, structure of salaries, wages, allowances, and all other administrative activities in the company.



## Studies Department

Planning and Studies Department is responsible for securing and studying all tenders for all sectors of the company, in accordance with the regulations and work procedures that govern such activity. The department uses all available technology means to facilitate its work procedures through the use of the Ministry of Finance's accreditation platform, which is dedicated to presenting all government tenders, which include all sectors in which the company operates. The department operates in cooperation with the company's support departments (Human Resources – Finance – Procurement and Contracts) for the purposes of achieving its objectives, which are to award the largest number of tenders in favor of the company at competitive prices.



## Projects Department

The Projects Department is responsible for operating and managing all projects in all sectors in which the company operates (health care, medical operation of hospitals, medical and non-medical operation and maintenance, catering and food supply, contracting and construction) in accordance with the regulations and work procedures that govern such activities. The Projects Department uses the best methods and resources in implementation of the pre-established plans and in accordance with the approved study of the projects. The department strives to reconcile the requirements of contractual obligations, satisfy customer needs and attend to the company's interest in all transactions related to project contracts in order to tighten control over the items of expenses and constantly strive to reduce costs within the permissible limits.





## **Supply Chain Department (Procurement and Contracts - Warehouses)**

Procurement and Contracts Department is the only unit responsible for implementing the procurement and contract management operations in the company. It is also responsible for following up the implementation until the required items reach the stores or the contracted works are completed in accordance with the agreed terms.

The warehouse management is concerned with all activities related to estimating the company's needs of different materials and items, receiving those incoming items, examining and arranging them inside the stores and maintaining them in accordance with the appropriate methods for the nature of each item, applying security and safety means in the stores, and disbursing various materials and supplies, and spare parts to the users and/or clients in accordance with the applicable procedures and approved regulations and in a manner that ensures the achievement and implementation of project programs within their plans with the highest level of efficiency, quality and profitability and the lowest possible cost and without extravagance, loss or damage that exceeds the inevitable acceptable limits within the scope of the company's field of operation.



## **Sales of Medical Devices and Equipment and After-Sales Maintenance Department**

Sales Department is responsible for implementing all sales activities of the company through the approved sales plan. It seeks to focus on all sales and distribution techniques, increase the efficiency and train sales representatives, in order to achieve and increase sales as much as possible, which may contribute to boosting company's profits.



## **Information Technology Department**

Information Technology Department is responsible for providing technical support to all company departments with regard to information technology services. It aims to achieve excellence in the field of innovative information technology infrastructure. The department endeavors to attract and benefit from the latest information technologies and to be a pioneer in this field with its qualified human resources and advanced services.



## Internal Audit Department

Internal Audit Department is responsible for promoting and protecting the value and assets of the company by providing objective and independent advisory services to the owners and shareholders of the company based on all risk factors and future outlook. Internal Audit Department aims to help improve the company's business by ensuring that the internal control and governance procedures are in place, efficient and effective. It also assists the board of directors, audit committee and executive management to carry out their activities with high efficiency, by following a systematic method in implementing their works.

As part of the company's management concern and care to protect shareholders interests, it constantly seeks to adhere to the highest standards of governance, based on disclosure, transparency and participation in decision-making in order to achieve the company's objectives. The company's commitment to follow and apply the highest standards of governance comes to ensure that the board of directors acts in a manner that achieves the interests of shareholders to the fullest, and to provide a true, clear and fair picture of the company's financial conditions and results of its operations.



# Vision

To be a Saudi leading player in every market and industry we operate in (including operation and maintenance, contracting and construction, catering, medical devices, equipment and supplies, and security and safety), dedicated to growth with quality performance and committed to maximum success, while maintaining our core values in line with the community convenience and security, and rendering all our services professionally to all our clients.

## Mission

To provide our clients with unique medical and non-medical solutions, committed to quality performance and maximum success while always maintaining our core values

# Company's Values



# Company Strategy

## 1

### **Diversification of related activities – entry into new areas (markets)**

The company intends to take advantage of a wide range of manufacturing investment opportunities, particularly in healthcare and medical products, since these opportunities will help improve and increase the company's sales, diversify its income, and meet client needs. All these efforts would have a significant impact on diversification of the services that lead to improving long-term growth rates. Moreover, the Company will continue to improve the quality of services provided, boost operational efficiency, diversify activities and add new products and medical equipment agencies, thereby enhancing and increasing the Company's profitability.

## 2

### **Financial planning and strategic studies**

The Company attaches great importance to financial planning and feasibility studies. These include studies of all estimated costs of its projects, in addition to projected revenue studies and financial flows schemes, ensuring a clear perception, which leads to the realization of the objectives of those studies that may contribute to higher profitability of the Company.

## 3

### **Strengthening relationships with the strategic clients**

The Company's long-term relationship with public and private clients is key to its excellent reputation and high quality of services provided. The Company enjoys the highest classification as a contractor for Government contracts, enabling it to bid for all tenders related to medical and non-medical operation and maintenance, catering, food supply and contracting. Moreover, the Company further reviews its market coverage plans to ensure optimal coverage, maintain and enhance relationships with clients, and expand its services, which may directly help scale up its business and boost its profitability.



## 4

**Bolstering the Company's capabilities and improving governance procedures**

The Company seeks to attract talent, appoint, train, develop and qualify employees and new graduates in all sectors in which it operates, whether in healthcare, operation, maintenance, catering or contracting, by fully operationalizing the role of human resources department to support staff development and nationalization. In addition, the Company is strengthening its governance and compliance system through policies, regulations, and procedures that govern the work and compliance with the relevant laws, which will contribute to accurate and speedy delivery of business, maintenance of the Company's assets and mitigating risks.





# 02

# Analysis of Activity Results

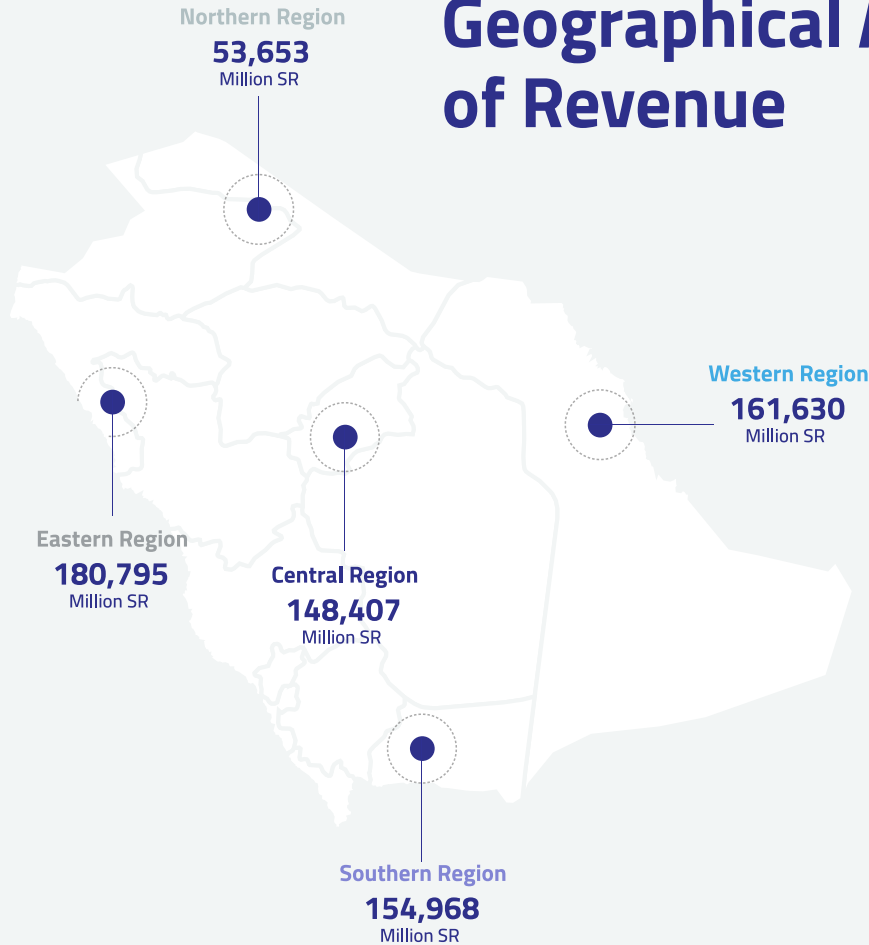
# Annual financial results for the fiscal year ending on December 31, 2021G

Income statement – (SAR'000)	Fiscal Year 2021G
Revenues	699,453
Cost of revenue cost	(546,470)
<b>Gross profit</b>	<b>152,983</b>
Selling and marketing expenses	(10,459)
General and administrative expenses	(59,101)
Operating profit	83,423
Financing costs	(13,980)
Other income, net	15,391
Profit before zakat	84,834
Zakat	(8,085)
Profit for the year	76,749
<b>Related to:</b>	
Company shareholders	77,524
Non-controlling equity shareholders	(775)
<b>Net profit for the year/period</b>	<b>76,749</b>

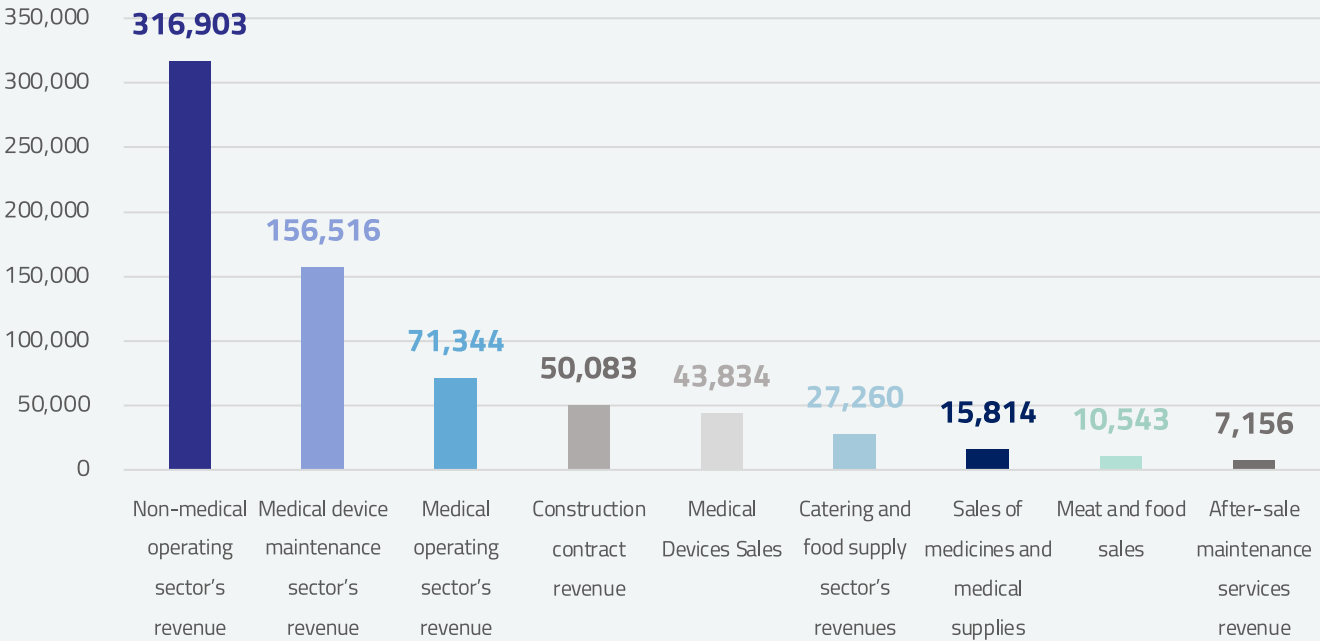
Income statement – (SAR'000)	Fiscal Year 2021G
<b>Other items of comprehensive income that will not be restated to profit or loss in subsequent years:</b>	
Changes in fair value of equity investments at fair value through other comprehensive income	745
Actuarial gain (loss) on employee benefit obligations	(2,814)
<b>Non-controlling shareholder's share of actuarial losses</b>	
<b>Total other comprehensive income/(loss)</b>	<b>(2,069)</b>
<b>Comprehensive income</b>	<b>74,680</b>



# Geographical Analysis of Revenue



Revenue analysis by operating segment (Million SR)



(SAR'000)

Revenues	Fiscal year 2021G	Central Region	Eastern Region	Western Region	Southern Region	Northern Region	Total	(%) from total revenue
Non-medical operating sector's revenue	316,903	12	93,605	150,773	36,257	36,256	<b>316,903</b>	45%
Medical device maintenance sector's revenue	156,516	6,894	39,282	20,049	80,095	10,196	<b>156,516</b>	22%
Medical operating sector's revenue	71,344	26,414		4,638	35,766	4,526	<b>71,344</b>	10%
Catering and food supply sector's revenues	27,260		19,075	5,335	2,850		<b>27,260</b>	4%
Construction contract revenue	50,083	37,740	9,668	0	0	2,675	<b>50,083</b>	7%
Medical Devices Sales	43,834	43,834	-	-	-	-	<b>43,834</b>	6%
Meat and food sales	10,543	10,543	-	-	-	-	<b>10,543</b>	2%
After-sale maintenance services revenue	<b>7,156</b>	<b>7,156</b>	-	-	-	-	<b>7,156</b>	<b>1%</b>
<b>Sales of medicines and medical supplies</b>	<b>15,814</b>	<b>15,814</b>	-	-	-	-	<b>15,814</b>	<b>2%</b>
<b>Total</b>	<b>699,453</b>	<b>148,407</b>	<b>161,630</b>	<b>180,795</b>	<b>154,968</b>	<b>53,653</b>	<b>699,453</b>	<b>100%</b>
<b>(%) from total revenue</b>		<b>21%</b>	<b>23%</b>	<b>26%</b>	<b>22%</b>	<b>8%</b>	<b>100%</b>	

# Segment Report for the last (5) years

(SAR'000)

	Operation and maintenance and commercial division 2021G	Contracting 2021G	Catering House of Food supply 2021G	Subsidiaries 2021G	eliminations and adjustments 2021G	Total
Revenues	611,308	50,083	10,512	39,254	(11,704)	699,453
Cost of revenues	(487,324)	(34,512)	(11,540)	(24,798)	11,704	(546,470)
<b>Gross profit</b>	116,591	15,571	(1,028)	14,457	-	152,984
Profit/loss for the year	68,263	8,376	(3,353)	(13,497)	16,959	76,749

(SAR'000)

	Operation and maintenance and commercial division 2020G	Contracting 2020G	Catering House of Food supply 2020G	Subsidiaries 2020G	eliminations and adjustments 2020G	Total
Revenues	498,982	76,160	5,711	41,788	(5,166)	<b>617,475</b>
Cost of revenues	(386,215)	(49,575)	(4,515)	(31,487)	5,166	<b>(466,627)</b>
<b>Gross profit</b>	<b>112,767</b>	<b>26,584</b>	<b>1,196</b>	<b>10,300</b>	<b>0</b>	<b>150,848</b>
Profit/loss for the year	56,197	18,386	178	(7,653)	7,052	<b>74,161</b>



## (SAR'000)

	Operation and maintenance and commercial division 2019G	Contracting 2019G	Catering House of Food supply 2019G	Subsidiaries 2019G	eliminations and adjustments 2019G	Total
Revenues	459,792	128,197	0	13,018	(3,990)	<b>597,017</b>
Cost of revenues	(363,602)	(93,171)	0	(10,420)	3,990	<b>(463,203)</b>
<b>Gross profit</b>	<b>96,190</b>	<b>35,026</b>	<b>0</b>	<b>2,598</b>	<b>0</b>	<b>133,814</b>
Profit/loss for the year	45,858	24,811	0	(409)	147	<b>70,407</b>

## (SAR'000)

	Operation and maintenance and commercial division 2018G	Contracting 2018G	Catering House of Food supply 2018G	Subsidiaries 2018G	eliminations and adjustments 2018G	Total
Revenues	454,099	121,329	0	14,117	(5,635)	<b>583,911</b>
Cost of revenues	(360,445)	(87,019)	0	(11,065)	5,635	<b>(452,894)</b>
<b>Gross profit</b>	<b>93,654</b>	<b>34,311</b>	<b>0</b>	<b>3,052</b>	<b>0</b>	<b>131,017</b>
Profit/loss for the year	45,066	23,009	0	1,603	(1,362)	<b>68,316</b>

## (SAR'000)

	Operation and maintenance and commercial division 2017G	Contracting 2017G	Catering House of Food supply 2017G	Subsidiaries 2017G	eliminations and adjustments 2017G	Total
Revenues	438,457	112,019	0	11,432	(5,635)	<b>556,272</b>
Cost of revenues	(357,861)	(87,834)	0	(7,777)	5,635	<b>(447,837)</b>
<b>Gross profit</b>	<b>80,597</b>	<b>24,184</b>	<b>0</b>	<b>3,654</b>	<b>0</b>	<b>108,435</b>
Profit/loss for the year	32,803	16,632	0	1,870	(1,590)	<b>49,716</b>

# Business results analysis for the last (5) years

Income statement – (SAR'000)	Fiscal Year 2017G	Fiscal Year 2018G	Fiscal Year 2019G	Fiscal Year 2020G	Fiscal Year 2021G	Annual Change 2020-2021G	Annual Change 2017-2021G	Compound annual growth rate 2017-2021G
Revenues	556,272	583,911	597,017	617,475	699,453	13.28%	20.47%	4.69%
Cost of revenue cost	(447,836)	(452,894)	(463,203)	(466,627)	(546,470)	17.11%	18.05%	4.06%
Gross profit	108,436	131,017	133,814	150,848	152,983	1.42%	29.12%	7.13%
General and administrative expenses	(39,373)	(40,950)	(55,736)	(49,234)	(59,101)	20.04%	33.38%	8.46%
Operating profit	54,695	80,322	68,089	88,057	83,423	-5.26%	34.44%	8.81%
Profit before zakat	57,495	79,026	70,734	81,554	84,834	4.02%	32.23%	8.09%
Profit for the year	49,716	68,315	70,407	74,161	76,749	3.49%	35.22%	9.07%
<b>Related to:</b>								
Company shareholders	49,435	68,076	70,669	74,761	77,524			
Non-controlling equity shareholders	281	240	(262)	(600)	(775)			
<b>Comprehensive income</b>	<b>50,625</b>	<b>66,844</b>	<b>74,926</b>	<b>71,458</b>	<b>74,680</b>	<b>4.51%</b>	<b>32.21%</b>	<b>8.09%</b>

## Notes

Revenues increased by 13.3% to 699.4 million Saudi riyals in the fiscal year 2021G, mainly due to:

- (1) the increase in the revenues of the operation and maintenance sector as a result of the increase in the number of projects, as 6 new projects were awarded to the company and their implementation began during the year 2021G, the total value of which is 258.4 million riyals;
- (2) other projects that started by the end of 2020G and ongoing during the entire year 2021G, with a total value of 267.4 million riyals; and
- (3) the increase in the revenue of Girgas Pharmaceutical Warehouse Co. by 3.0 million Saudi riyals.

The cost of revenue increased by 17.1% to reach 546.5 million Saudi riyals in the fiscal year 2021G, as a result of the increase in costs of salaries, wages and benefits by 38.9 million Saudi riyals in line with the increase in the number of employees (new projects) during the same period in addition to the increase in the costs of recruitment and employment of labor for the new projects. In addition, the costs of subcontractors increased by 19 million Saudi riyals, which had an impact on the growth of revenues of the medical devices maintenance sector during the same period.

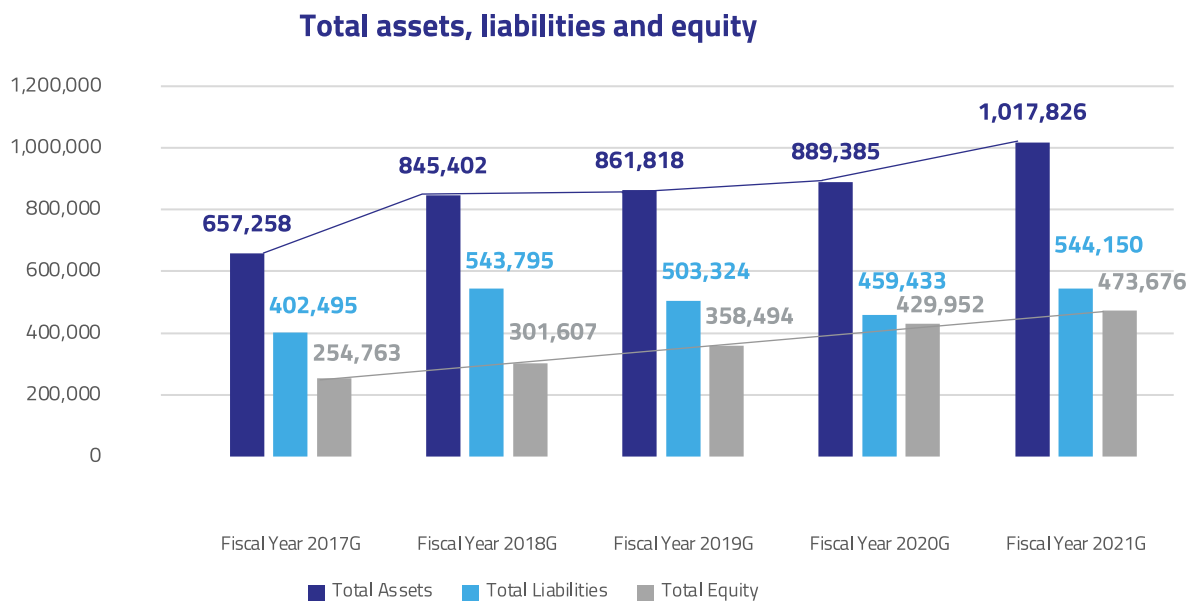
Administrative and general expenses increased by 9.8 million riyals as a result of the increase in salaries and wages and the like due to the appointment of new employees in the main office and the increase in the salaries of some employees and the company bearing the fees of employees' companions and the increase in the provision for obsolescence of customer debts as a result of delay in collection

The profit for the year increased by 3.5% to 76.7 million Saudi riyals in the fiscal year 2021G compared to 74.1 million riyals in the year 2020. This is due to an increase in revenues by 81.9 million Saudi riyals, which relates to the increase in the revenues of the non-medical operating sector and the maintenance of medical devices sector.

# Assets, liabilities and shareholders' equity for the last (5) years.

(SAR'000)

Description	Fiscal Year 2017G	Fiscal Year 2018G	Fiscal Year 2019G	Fiscal Year 2020G	Fiscal Year 2021G
Total Assets	657.258	845.402	861.818	889.385	1,017.826
Total Liabilities	402.495	543.795	503.324	459.433	544.150
Total Equity	254.763	301.607	358.494	429.952	473.676





# Information related to the company's loans

(SAR'000)

Short term loans	Balance at 1/1/2021	New loans	Settled loans	Balance at 31/12/2021
Arab National Bank	4,018	18,591	20,134	2,475
Banque Saudi Fransi	63,529	326,781	279,914	110,396
Riyad Bank	32,698	70,017	69,267	33,448
SABB	950	7,927	3,797	5,080
Saudi Investment Bank	73,379	331,083	332,742	71,720
Saudi National Bank		36,230	26,465	9,765
<b>Total short-term loans</b>	<b>174,575</b>	<b>790,628</b>	<b>732,319</b>	<b>232,884</b>

(SAR'000)

Long term loans	Balance at 1/1/2021	New loans	Settled loans	Balance at 31/12/2021
Industrial Development Fund	1,860	4,340	-	6,200
Waed-Entrepreneurship		1,525	-	1,525
<b>Total long-term loans</b>	<b>1,860</b>	<b>5,865</b>	<b>-</b>	<b>7,725</b>

(SAR'000)

Payment Notes	Balance at 1/1/2021	Addition	Exclusions	Balance at 31/12/2021
	7,431	5,013	5,241	7,202
<b>Total payment notes</b>	<b>7,431</b>	<b>5,013</b>	<b>5,241</b>	<b>7,202</b>

(SAR'000)

Due to banks	Balance at 1/1/2021	Addition	Exclusions	Balance at 31/12/2021
Riyad Bank	79	3,318	54	3,344
SABB	424	4,152		4,576
<b>Total bank payables</b>	<b>503</b>	<b>7,470</b>	<b>54</b>	<b>7,920</b>
<b>Total bank obligations as at 31/12/2021</b>				<b>255,731</b>





# 03



# Dividends Distribution

# Overview of Dividends Policy

First of all, it should be noted that the dividend policy currently applied by the company will be modified so that it matches the company's amended articles of association in line with the requirements of the Law of joint stock companies listed on the Saudi Stock Exchange (Tadawul).

Dividends distribution process is subject to certain restrictions according to the company's articles of association (in its current form and before any amendments), where Article (47) of the company's articles of association provides for the distribution of the company's annual net profits after deducting all public expenses and other costs as follows:

1. 10% of the net profit shall be set aside to form a statutory reserve and the Ordinary General Assembly may discontinue the said deductions when the statutory reserve amounts to 30% of the Company's paid-up share capital.
2. The Ordinary General Assembly may, based on the proposal of the board of directors, set aside a specific percentage of the net profits to form reserves for other specific purposes.
3. Out of the balance thereafter, a percentage representing (5%) of the company's paid-up capital shall be distributed to the shareholders.
4. The shareholder shall be entitled to his share of profits in accordance with the resolution of the General Assembly issued in this regard. The resolution shall indicate the maturity date and the date of distribution. The eligibility of profits shall be for the owners of shares registered in the shareholders' records at the end of the day specified for entitlement

## Dividend analysis (declared/ distributed) for the last (5) years

	2017 G	2018G	2019G	2020G	2021G
	(SAR'000)				30 June, 2021G
Earnings (declared/ distributed) during the year	-	20,000	20,000	-	30,000
Net profit for the year	49,716	68,316	70,407	74,161	42,287
Percentage (%)	-	29,3%	28,4%	-	70,9%





# 04

# Board of Directors, General Assembly and Corporate Governance

# Record of board meetings and resolutions for the year 2021G

 Date

**20/01/2021G**



Attendance Record

**All board members (100%)**

## Meeting Summary / Resolutions

1. Approval of dividends in the amount of (30) million Riyals, at (1.5) Saudi riyals per one share, representing a distribution percentage of (15%) of the paid-up capital for the total number of outstanding shares amounting to (20,000,000) shares, provided that the eligibility of dividends is for the company's shareholders who own the shares at the end of the day of the company's general assembly who are registered in the company's records on the date of the assembly.

 Date

**21/02/2021G**



Attendance Record

**All board members (100%)**

## Meeting Summary / Resolutions

1. Acquisition of Scientific and Medical Equipment House (a closed joint stock company) on the entire capital shares in Roaa Al Hymaya (Protecta Vision) (a limited liability company) by purchasing the stake of Rawabi International Marketing Company amounting to (15%) in return of (953,841) Saudi Riyals.

 Date

**15/04/2021G**



Attendance Record

**All board members (100%)**

## Meeting Summary / Resolutions

1. Approval of the audit committee's recommendation regarding the issuance of the company's financial statements for the financial year ending on December 31, 2020.

 Date**29/04/2021G**

Attendance Record

**All board members (100%)****Meeting Summary / Resolutions**

1. Approval of the supplementary agreement dated 29/04/2021G submitted by Alistithmar for Financial Securities and Brokerage Company (Alistithmar Capital) in its capacity as the financial advisor for the offering of the company's shares in the Saudi Stock Exchange (Tadawul), which includes management fees in the amount of (SAR 1) million and underwriting fees by (1.45%) of the total underwritten amount.

 Date**06/06/2021G**

Attendance Record

**All board members (100%)****Meeting Summary / Resolutions**

1. Approval of the establishment of a limited liability company specialized in mechanical and air conditioning works, with a capital of (SAR 500) thousand, which was later agreed to be named "Al-Wateen Air Conditioning and Refrigeration Company".

 Date**01/09/2021G**

Attendance Record

**All board members (100%)****Meeting Summary / Resolutions**

1. Approval of organizational structure amendments (add / cancel / upgrade) for the medical equipment sector.

 Date

**21/11/2021G**

 Attendance Record

**All board members (100%)**

### Meeting Summary / Resolutions

1. Approving the nomination by the Audit Committee, of Mr. / Mohammed Abdul Fattah Mohammed Abdul Fattah, as a new member of the Audit Committee, with a recommendation to be presented to the company's general assembly.
2. Approval of the establishment of two limited liability companies wholly owned by Scientific & Medical Equipment House at 100%, with a capital of (SAR 100,000) for each company. It was agreed later to be named "Abwab Al-Mustaqbal Contracting" and "New Era Company Limited".

The following table shows the board members' attendance record for these meetings:

S	Members' names	position	Capacity	Attending meetings							Attendance
				Meeting (1)	Meeting (2)	Meeting (3)	Meeting (4)	Meeting (5)	Meeting (6)	Meeting (7)	%
1	Basil Saud Mohammad Al-Arifi	Chairman	Non-independent/ Nonexecutive	✓	✓	✓	✓	✓	✓	✓	100%
2	Bandar Saud Mohammad Al Arifi	Deputy Chairman	Non-independent/ Nonexecutive	✓	✓	✓	✓	✓	✓	✓	100%
3	Barakat Saud Mohammad Al-Arifi	Managing Director	Non-independent/ Executive	✓	✓	✓	✓	✓	✓	✓	100%
4	Bashir Saud Mohammad Al-Arifi	Member	Non-independent/ Nonexecutive	✓	✓	✓	✓	✓	✓	✓	100%
5	Mohammed Ibrahim Abdul Mohsen Al-Hugail	Member	Independent/ Nonexecutive	✓	✓	✓	✓	✓	✓	✓	100%
6	Bayan Khalil Suleiman.	Member	Independent/ Nonexecutive	✓	✓	✓	✓	✓	✓	✓	100%



# Record of meetings and resolutions of the general assembly 2021

## Summary of items/resolutions of the company's ordinary general assembly dated 27/05/2021G

#	Item
1	Approval of the Board of Directors' report for the year ending on December 31, 2020.
2	Approval of the company's auditor's report for the financial year ending on December 31, 2020.
3	Approval of the company's financial statements for the fiscal year ending on December 31, 2020.
4	Approval of the report of the Audit Committee for the financial year ending on December 31, 2020.
5	Approval of releasing liability of the members of the board of directors for the years until the fiscal year ending on December 31, 2020.
6	Approval of the remunerations and compensations of the members of the board of directors and senior management employees of the company for the fiscal year ending on December 31, 2020, according to the statement included in the board of directors' report.
7	Approval of the recommendation of the Audit Committee regarding the continued appointment of Baker Tilly M.K.M (Auditor) for the purposes of examining, reviewing and auditing the company's financial statements for the current fiscal year 2021G.
8	Approval and licensing of works and contracts for the coming year, which took place between the company and related parties – i.e., Rawabi International Marketing Company. The contract amount is (SAR 27,109,772), and the related party is board member Mr. Matar Saud Mohammed Al-Arifi.
9	Approval and licensing of works and contracts for the coming year, which took place between the company and related parties – i.e., Deerah Al Ammar Real Estate Company. The contract amount is (SAR 22,511,116), and the related party is board member Mr. Bashir Saud Muhammad Al-Arifi.
10	Approval and ratification of the decision of the board of directors regarding granting financial authority for all payments up to (50) fifty thousand Saudi riyals by checks and/or electronic transfers or under paper forms for the financial manager (in person) and in accordance with the approved terms and procedures in this regard.
11	Approval and ratification of the board of directors' decision regarding the company's provision of a legal guarantee of (100%) in return for a loan of (6.2) million Saudi riyals granted by the Industrial Development Fund in favor of financing the construction of a factory for NABD Medical Industries Company (a subsidiary company) in Riyadh.

#	Item
12	Approval and ratification of the board of directors' decision regarding dividends amounting to (30,000,000) Saudi Riyals, at one Saudi riyal per share representing 15% of the paid-up capital (from the balance of retained earnings) on the total number of outstanding shares amounting to (20,000,000) shares, provided that the eligibility profits is for the company's shareholders who own shares at the end of the day of the company's general assembly and who are registered in the company's records on the date of the assembly.
13	Approval and ratification of the Board of Directors' decision regarding the company's acquisition of (15%) of Roaa Al Hymaya (Protecta Vision), owned by Rawabi International Marketing Company, in return for (15%) of the company's total equity as on December 31, 2020, amounting to (6,358,942) Riyals Saudi, so that the entire stake of Roaa Al Hymaya (Protecta Vision) will be owned (at 100%) by Scientific & Medical and Equipment House.

### Summary of items/resolutions of the company's ordinary general assembly dated 22/12/2021G

#	Item
1	Approval of allowing the director, Mr. Barakat Saud Mohammed Al-Arifi, to engage in a competing activity, being the owner of Barakat Al-Khair Trading Establishment, which conducts a competing activity with the company.
2	Approval of allowing the director, Mr. Bandar Saud Mohammed Al-Arefi, to engage in a competing activity, being the owner of the Union Land Trading Establishment, which conducts a competing activity with the company.
3	Approval of allowing the board chairman, Mr. / Basil Saud Mohammed Al-Arifi, the board member, Mr. Barakat Saud Mohammed Al-Arifi, the board member, Mr. Bashir Saud Mohammed Al-Arifi, and the board member, Mr. Bandar Saud Mohammed Al-Arifi, to engage in a competing activity as they are members of the board of directors in Rawabi Marketing International (RMI), which conducts a competing activity with the company.
4	Approval of allowing the board chairman, Mr. / Basil Saud Mohammed Al-Arifi, the board member, Mr. Barakat Saud Mohammed Al-Arifi, the board member, Mr. Bashir Saud Mohammed Al-Arifi, and the board member, Mr. Bandar Saud Mohammed Al-Arifi, to engage in a competing activity as they are members of the board of directors of the Board of Directors of the German Metal Surface Treatment Chemicals Co. which conducts a competing activity with the company.

# Board Committees

The company's board of directors formed a number of committees to improve the company's management, meet the statutory requirements, and ensure optimal performance of the company, in addition to assisting the board in carrying out its duties more effectively. Following is an explanation of competencies of each committee and its current members: -

## 1 Audit Committee

The committee formed by a decision of the company's ordinary general assembly for a period of (3) three years from the shareholders or others, provided that the chairman of the committee shall be an independent member and does not include any of the executive board members, and committee shall include among its members one who is specialized in financial and accounting affairs.

The main role of the Audit Committee is to assist the directors in performing their supervisory responsibilities related to the audits and internal control systems of the company, the company's financial statements and other financial information, as well as the company's compliance with legal and regulatory requirements.

Competences of the audit committee shall include (but not limited to) the following:

- Examining and reviewing the company's internal and financial control systems.
- Examining the internal audit reports and following up the implementation of the corrective actions for the notes contained therein.
- Monitoring and supervising the performance and activities of the internal auditor and the internal audit department in the company, if any, to verify availability of the necessary resources for its effectiveness in performing the work and tasks assigned to it. If the company does not have an internal auditor, the committee must submit its recommendation to the board regarding the need to appoint one.

The following members of the Committee were appointed as approved in the general assembly meeting held on 14/10/2019G:

## Committee members

<b>Mr. Loay Ali Al-Sartawi</b>	Committee Chairman	Independent
<b>Mr. Ahmed Nihad Al-Zaeem</b>	Committee member	Independent
<b>Mr. Bader Saud Al Arifi</b>	Committee member	Non-independent - Nonexecutive



## Summary of Audit Committee meetings, 2021

#	Date	Attendees	Items Discussed	Attendance	Committee quorum
1	02/04/2021G Time: 15:00 pm	Mr. Loay Ali Al-Sartawi Committee Chairman	Discuss and approve: *Internal Audit Plan - 2021	In person	Committee chairman and all members
		Mr. Ahmed Al-Zaeem Committee member			
		Bader Al Arifi Committee member			
		Mr. Ahmed al-Najjar Manager, Internal Audit Dpt.			
		Mr. Mamdouh Mursi Senior auditor			
2	02/04/2021G Time: 18:00 pm	Mr. Loay Ali Al-Sartawi Committee Chairman	Discuss and approve: * Internal Audit Department Report on the activities of the Procurement and Contracts Department	In person	Committee chairman and all members
		Mr. Ahmed Al-Zaeem Committee member			
		Bader Al Arifi Committee member			
		Mr. Ahmed al-Najjar Manager, Internal Audit Dpt.			
		Mr. Mamdouh Mursi Senior auditor			
3	02/04/2021G Time: 18:00 pm	Mr. Loay Al-Sartawi Committee Chairman	Discuss and approve: * Auditor's Report - Baker Tilly December 31, 2020G * Draft financial statements for the year ending on December 31, 2020G	In person	Committee chairman and all members
		Mr. Ahmed Al-Zaeem Committee member			
		Bader Al Arifi Committee member			
		Mr. Ahmed al-Najjar Manager, Internal Audit Dpt.			
		Mr. Yasser Al-Safadi Finance manager			
Mr. Alaa Abdul Qader Accounts manager					

#	Date	Attendees	Items Discussed	Attendance	Committee quorum
3	02/04/2021G Time: 18:00 pm	Mr. Iyad Al-Alem	Auditor (Baker Tilly MKM Company)	On-line (Zoom)	Committee chairman and all members
		Mr. Waseem Alaya	Auditor (Baker Tilly MKM Company)		
4	27/08/2021G Time: 15:00 pm	Mr. Loay Al-Sartawi	Committee Chairman	in person	Committee chairman and member Ahmed Al-Zaeem * Member Bader Al Arifi apologized (he deputized the member Ahmed Al-Zaeem to represent him)
		Mr. Ahmed Al-Zaeem	Committee member		
		Mr. Ahmed al-Najjar	Manager, Internal Audit Dpt.		
		Mr. Mamdouh Mursi	Senior auditor		
		Mr. Nasser Hassan	Auditor		
5	27/08/2021 PM Time: 18:00 pm	Mr. Loay Al-Sartawi	Committee Chairman	in person	Committee chairman and member Ahmed Al-Zaeem * Member Bader Al Arifi apologized (he deputized the member Ahmed Al-Zaeem to represent him)
		Mr. Ahmed Al-Zaeem	Committee member		
		Mr. Ahmed al-Najjar	Manager, Internal Audit Dpt.		
		Mr. Mamdouh Mursi	Senior auditor		
		Mr. Nasser Hassan	Auditor		

#	Date	Attendees	Items Discussed	Attendance	Committee quorum
6	28/08/2021G Time: 09:00 am	Mr. Loay Al-Sartawi Committee Chairman	Discuss and approve: * Internal audit department report on the catering and food supply activities (Projects Department)	In person	Committee chairman and member Ahmed Al-Zaeem  * Member Bader Al Arifi apologized (he deputized the member Ahmed Al-Zaeem to represent him)
		Mr. Ahmed Al-Zaeem Committee member			
		Mr. Ahmed al-Najjar Manager, Internal Audit Dpt.			
		Mr. Mamdouh Mursi Senior auditor			
		Mr. Nasser Hassan Auditor			
7	28/08/2021G Time: 15:00 pm	Mr. Loay Al-Sartawi Committee Chairman	Discuss and approve: * Internal audit department report on the work of the medical operation (Projects Department)  * Quotations for the provision of "external audit and financial statements" services for the years 2021G – 2022G.	In person	Committee chairman and member Ahmed Al-Zaeem  * Member Bader Al Arifi apologized (he deputized the member Ahmed Al-Zaeem to represent him)
		Mr. Ahmed Al-Zaeem Committee member			
		Mr. Ahmed al-Najjar Manager, Internal Audit Dpt.			
		Mr. Mamdouh Mursi Senior auditor			
		Mr. Nasser Hassan Auditor			
8	05/11/2021G Time: 15:00 pm	Mr. Loay Al-Sartawi Committee Chairman	Discuss and approve: * Internal audit department report on the on non-medical operation and maintenance work (Projects Department)	In person	Committee chairman and member Ahmed Al-Zaeem  * Member Bader Al Arifi apologized (he deputized the member Ahmed Al-Zaeem to represent him)
		Mr. Ahmed Al-Zaeem Committee member			
		Mr. Ahmed al-Najjar Manager, Internal Audit Dpt.			
		Mr. Mamdouh Mursi Senior auditor			
		Mr. Nasser Hassan Auditor			

#	Date	Attendees	Items Discussed	Attendance	Committee quorum
9	05/11/2021G Time: 18:30 pm	Mr. Loay Al-Sartawi	Committee Chairman	In person	Committee chairman and member Ahmed Al-Zaeem  * Member Bader Al Arifi apologized (he deputized the member Ahmed Al-Zaeem to represent him)
		Mr. Ahmed Al-Zaeem	Committee member		
		Mr. Ahmed al-Najjar	Manager of internal audit department		
		Mr. Mamdouh Mursi	Senior auditor		
		Mr. Nasser Hassan	Auditor		
10	06/11/2021G Time: 10:30 am	Mr. Barakat Al-Arifi	Managing Director/CEO	In person	Committee chairman and member Ahmed Al-Zaeem  * Member Bader Al Arifi apologized (he deputized the member Ahmed Al-Zaeem to represent him)
		Mr. Loay Al-Sartawi	Committee Chairman		
		Mr. Ahmed Al-Zaeem	Committee member		
		Mr. Ahmed al-Najjar	Manager of internal audit department		
			Discussing the company's management regarding: * Internal audit department report with joint observations related to: - - Operational sectors (medical - non-medical - medical maintenance - catering) - Supply Chain Department (Procurement - warehouses)		



## 2 Risk Committee

The committee formed by a decision of the board of directors for a period of (3) three years from non-executive board members provided that its members shall have an appropriate level of knowledge of risk and financial management. The risk committee meets whenever the need arises.

The main role of the Risk Committee is to assist the directors in assisting the members of the board of directors in determining the level of risks related to the company's operations and verifying the feasibility of the company's continuation and the successful continuation of its activity.

Appointment risk committee members from among the candidates was approved by the company's general assembly meeting held on 07/26/2020G.

Competences of the audit committee shall include (but not limited to) the following:

- Developing a comprehensive strategy and policies for risk management in line with the nature and size of the company's activities and verify their implementation, review and update based on the company's internal and external variables.
- Verifying the feasibility of the company's continuation and the successful continuation of its activity, while identifying the risks that may threaten its continuity during the next twelve months.
- Preparing detailed reports risk exposures and the proposed steps for managing these risks and submitting them to the Board of Directors.

### Risk committee members:

<b>Mr. Bayan Khalil Suleiman</b>	Committee Chairman	Independent / Nonexecutive
<b>Mr. Basil Saud Al-Arifi</b>	Committee member	Non-independent / Nonexecutive
<b>Mr. Mohammed Ibrahim Al-Hokail</b>	Committee member	Independent / Nonexecutive

### 3 Nominations and Remunerations Committee

The committee is formed by a decision of the board of directors for a period of (3) three years, from non-executive members of the board of directors, provided that at least one of them is an independent member. The committee shall meet at least once during the company's financial year.

The objectives of the nomination and remuneration committee are to enhance effectiveness and performance through recommending nominations for board members and senior executives who are qualified to achieve the company's vision.

Appointment of the members of the nomination and remuneration committee was approved from among the candidates during the company's general assembly meeting held on 26/07/2020G. The committee's competences include (but not limited to) the following: -

- **Competencies relating to nominations:**
  1. Propose clear policies and criteria for membership in the board of directors and the executive management.
  2. 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.
- **Competences relating to remuneration:**
  1. Preparing a clear policy for the remuneration of the members of the board of directors, the board committees and the executive management and submitting it to the board for consideration in preparation for approval by the general assembly, provided that such policy shall consider the adoption of performance-related criteria, disclosure and verification of their implementation.
  2. Clarifying the relationship between the remuneration granted and the applicable remuneration policy and indicate any material deviation from this policy.
- **Competencies relating to governance:**
  1. Verifying the company's compliance with the special rules set by the board of directors in relation to the company's corporate governance, in a manner that does not conflict with the mandatory provisions and related regulations, and act to monitor their application and verify their effectiveness.
  2. Reviewing, updating, and amending the rules when needed in accordance with the regulatory requirements and best practices.

## Nominations and remunerations committee members

<a href="#">Mr. Mohammed Ibrahim Al-Hokail</a>	Committee Chairman	Independent / Nonexecutive
<a href="#">Mr. Bandar Saud Al Arifi</a>	Committee member	Non-independent / Nonexecutive
<a href="#">Mr. Bashir Saud Al-Arifi</a>	Committee member	Non-independent / Nonexecutive



## **Actions taken by the board to inform its members of the shareholders' proposals and comments**

The company shareholders have the right to direct their inquiries and request information in a manner that does not conflict with the interests of the company and in accordance with the disclosure policies and procedures approved by the laws and regulations of listed joint stock companies. In the event of any suggestions or observations towards the company, the chairman of the board of directors shall inform the members thereof at the first meeting of the board.

The internal regulations of the board of directors also stipulate that the member must attend the company's general assembly meeting in order to receive inquiries and suggestions from shareholders, who are given by the regulations the right to participate in the deliberations and discussions of the shareholders' assembly

## **Evaluating the performance of the directors and members of the executive management**

Based on charter approved by the board of directors, the nominations and remuneration committee, has set all the means and criteria related to evaluating the performance of the board and the executive management, without the assistance and/or appointment of any external consulting firm to evaluate the performance of the members, since the evaluation process is indicative, in accordance with Article (41) of the Corporate Governance Regulations issued by the board of the Capital Market Authority under its resolution No. 8-16-2017 dated 16/05/1438H (corresponding to 13/02/2017G) based on the Companies Law issued by Royal Decree No. M/3 dated 28/1/1437H, as amended by the decision of the board of the capital market authority No. 1-7-2021 and dated 6/1/1442H (corresponding to 14/01/2021G).

# The audit committee's opinion on the company's internal control system

Based on the implementation of the audit work during the year 2021G and the observations of the Internal Audit Department, which were discussed and confirmed by both the audit committee and the executive management of the company, the audit committee confirms the following:

1. We saw improvement in the company's internal control system to give reasonable assurances to avoid material errors and prevent fraud, theft and related losses.
2. It is imperative to continue taking the necessary measures to improve the internal control systems in accordance with business needs and best practices, and to achieve the company's objectives.
3. We also saw cooperation and support by the company's executive management regarding follow-up of the implementation of the issued recommendations of the committee and the speed of taking corrective measures to implement them.



## Remunerations of members of the board of directors, affiliated committees, and executive management (CEO - CFO)

The table below shows the remuneration of the members of the board of directors

(SAR'000)

	Attending meetings		Variable Remuneration				End of service indemnity	Grand total	Expenses allowance					
	Certain amount	Allowance for attending board sessions	Total allowance for attending committee sessions	In-kind Benefits	Remuneration for technical, administrative and advisory work	Remunerations of the chairman, the managing director, or the secretary, if he is a member				Total	A percentage of profits	Periodic remuneration	short term motivational plans	long term motivational plans
<b>First, the independent members</b>														
1. Mohammed Ibrahim Abdul Mohsen Al-Hokail	80	24					104					0		
2. Bayan Khalil Suleiman	80	24					104					0		
<b>Total</b>	<b>160</b>	<b>48</b>					<b>208</b>							
<b>Second: Non-executive members</b>														
1. Basil Saud Mohammad Al-Arifi	80	24					104					0		104
2. Bandar Saud Mohammad Al Arifi	80	24					104					0		104
3. Bashir Saud Mohammad Al-Arifi	80	24					104					0		104
<b>Total</b>	<b>240</b>	<b>72</b>					<b>312</b>							<b>312</b>
<b>Third: the executive members</b>														
1. Barakat Saud Mohammad Al-Arifi	80	24					104					0	70	174
<b>Total</b>	<b>80</b>	<b>24</b>					<b>104</b>					<b>0</b>	<b>70</b>	<b>174</b>



**The table below shows the remuneration of members of the committees emanating from the Board of Directors**

(SAR'000)

	Fixed Remuneration (except for attendance allowance)	Allowance for attending sessions	Total
Audit committee members			
1. Louay Ali Al-Sartawi	80	19	99
2. Ahmed Nihad Al-Zaim	60	19	79
3. Bader Saud Mohammad Al Arifi	30	4,5	34,5
Total	170	42,5	212,5
Risk committee members			
1. Bayan Khalil Suleiman.			-
2. Basil Saud Al-Arifi			-
3. Mohammed Ibrahim Al-Hokail			-
Total			-
Members of the Nomination and Remuneration Committee			
1. Mohammed Ibrahim Al-Hokail			-
2. Bandar Saud Al Arifi			-
3. Bashir Saud Al-Arifi			-
Total			-



## The table below shows the remuneration of the executive management

(SAR'000)

Senior Executive positions	Fixed Remuneration			Variable Remuneration				End of service indemnity	Total remuneration of board executive members, if any	Grand total
	Salaries	Allowances	in-kind benefits	Periodic remunerations	Profits	short term motivational plans	long term motivational plans			
1- Chief Executive Officer	840		18	858					70	928
2- Chief Financial Officer	540		19	559					22	581
<b>Total</b>	<b>1,380</b>		<b>37</b>	<b>1,417</b>					<b>92</b>	<b>1,509</b>



# 05

# Regulatory Disclosures

# Agreements, businesses and contracts concluded between the company and related parties

The company and its subsidiaries deal in the normal course of business, such as company contracts with suppliers and contractors, and lease contracts with some related parties and their relatives, including companies owned wholly or partially by members of the board of directors. It is worth noting that all transactions with related parties do are conducted on the equal terms with the transactions with other commercial dealers. In addition, all such transactions are subject to the approval of the board of directors and obtaining a license from the company's ordinary general assembly.

## These transactions have amounted to:

Accounts payable balances to related parties (due to related parties) **4,96** million Saudi riyals as on December 31, 2021

Balances of accounts receivable from related parties **4,24** million Saudi riyals as on December 31, 2021



## **Summary of the Major Contracts and Transactions with Related Parties**

### **Contract for supply of electrical and mechanical consumables and catering with Union Land Trading Company**

On 13/06/1438H (corresponding to 01/03/2018G), the company entered into a contract for supply of consumables with Union Land Trading Company, including medical and laboratory equipment, devices, supplies, and their spare parts, along with maintenance thereof; electrical and electronic tools; mechanical and electrical equipment and supplies; air conditioning, computers and their spare parts; and catering services. The amounts are based on purchase orders for the value of the agreed consumables. The term of the contract is two (2) years as of signing the contract, automatically renewed for a similar period.

### **Contract for Supply of Electrical and Mechanical Consumables and Catering with Union Land Trading Company**

On 13/06/1438H (corresponding to 01/03/2018G), the company entered into a contract for supply of consumables with Union Land Trading Company, including medical and laboratory equipment, devices, supplies, and their spare parts, along with maintenance thereof; electrical and electronic tools; mechanical and electrical equipment and supplies; air conditioning, computers and their spare parts; and catering services. The amounts are based on purchase orders for the value of the agreed consumables. The term of the contract is two (2) years as of signing the contract, automatically renewed for a similar period.

### **Consulting Services Contract with Union Land Trading Company**

On 03/04/1438H (corresponding to 01/01/2017G), the company entered into consulting services contract with Union Land Trading Company to provide administrative and technical studies, give technical assistance, and review the studies prepared by the company in all the activities carried out by the Company. The contract amount is SAR 2,568,000 per annum, with SAR 214,000 to be paid monthly. The term of the contract is three (3) Gregorian years, renewable for a similar period.

### **Contract for construction of a commercial complex with Deerah Al-Ammar Real Estate Company**

On 06/21/1441 AH (corresponding to 02/16/2020G), the company entered into a contracting contract with Deerah Al Ammar Real Estate Company for supply and construction of a Specialized Commercial Mall project. The contract includes supply and implementation of all civil, construction, architectural, mechanical and electrical works. The total value of the contract is (45,170,678) Saudi riyals, and the term of the contract is twenty-four (24) months from the date of signing the contract. It has been extended for an additional (10) months ending on 12/16/2022G.

### **Lease contracts (residential - commercial) for the company's head office, staff housing, and warehouses with Deerah Al Ammar Real Estate Company**

The company has entered into (20) lease contracts (head office - staff housing - warehouses), with a total annual rental value of (2,586,516) Saudi riyals. All contracts are for a period of one calendar year, subject to renewal.

### **A contract for providing information technology services with Rawabi Smart Services and Devices Company**

On 09/11/1441H (corresponding to 30/06/2020G), the company entered into a contract to provide information technology services with Rawabi Smart Services and Devices Company. The total contract amount is (16,690,084) Saudi riyals, and the contract term is 5.5 years, subject to automatic renewal, with the same conditions ending on 31/12/2025G, provided that the values are reviewed annually, whether to fix the current values or to change them according to the status of the project and the additions made to it, as well as market variables.

### **An office lease contract with Rawabi International Marketing Company**

The company entered into a lease contract for the company's building located on Prince Abdul Aziz bin Jalawi Street in Sulaymaniyah with Rawabi International Marketing Company. The contract amount is (864,000) Saudi riyals. The duration of the contract is one calendar year, starting from 01/01/2018G, and it is automatically renewed.

### **An office lease contract with the National Company for Sulfur Products**

The company entered into a lease contract for the company's building located on Prince Abdul Aziz bin Jalawi Street in Sulaymaniyah with the National Company for Sulfur Products. The contract value is (384,000) Saudi riyals. The duration of the contract is one calendar year, starting from 01/01/2018G, and it is automatically renewed.

### **An office lease contract with the German Metal Surface Treatment Chemicals Co.**

The company entered into a lease contract for the company's building located on Prince Abdul Aziz bin Jalawi Street in Sulaymaniyah with the German Metal Surface Treatment Chemicals Co. The contract amount is (264,000) Saudi riyals. The duration of the contract is one calendar year, starting from 01/01/2018G, and it is automatically renewed.

### **A Contract for implementing of the rehabilitation works for the buildings of the National Company for Sulfur Products Factory in Riyadh**

On 19/06/1442H (corresponding to 01/02/2021G), the company entered into a contract with the National Company for Sulfur Products with a total value of (13,389,172) Saudi riyals to implement the rehabilitation works of the company's factory buildings in Riyadh and according to the proposals contained in the Geotechnical and Environment Company Ltd. (GECO). The term of the contract is (6) months from the date of site handover.



## Regulatory payments paid and due during the year 2021G

These are the payments made and/or payable to the Zakat, Tax and Customs Authority (VAT, Zakat, customs payables), the General Organization for Social Insurance, government fees (residency fees, visas - financial fees for companions) and their statement as follows:

### Actual paid during the year 2021G

N	Paid Regulatory payments	Amount in (SAR'000)
1	Zakat, Tax and Customs Authority (Value Added Tax)	53,829
2	Zakat, Tax and Customs Authority (Zakat)	10,860
3	Zakat, Tax and Customs Authority (Customs)	1,804
4	General Organization for Social Insurance	15,855
5	Government fees (residencies - visas – companion fees)	57,106
Total value of paid regulatory payments		139,455

### Payable (Due) for the year 2021G

N	Payable (Due) Regulatory payments	Amount in (SAR'000)
1	Zakat, Tax and Customs Authority (Value Added Tax)	3,523
2	Zakat, Tax and Customs Authority (Zakat)	6,405
3	General Organization for Social Insurance	1,822
Total due amount of regulatory payments		11,750



## Investments and reserves for the benefit of the company's employees

No investments and/or saving programs have been created for the company's employees. Their rights with the company are limited to the approved statutory provisions (end of service - travel tickets - vacations).

## Fines and penalties

Following are the amounts incurred by the company as a result of its violation of applicable governmental laws and regulations during the year 2021G:

N	Issuing agency of the penalty	Penalty in (SAR'000)	Reasons of violation
1	Ministry of Interior - Traffic Department	22	Traffic fines for cars
2	Ministry of Human Resources and Social Development - Labour Office	93	Violation of precautionary measures + enforcement of judicial rulings
3	Ministry of Public Transport	5	Big car driving offense
4	Ministry of Municipal and Rural Affairs	1	Delay in renewing municipal licenses

The company has been keen to take all corrective measures and develop the necessary methods and ways to avoid the recurrence of such violations in the future.

## Social contributions of the company

The company senses its responsibility towards the society in which it operates for the interest of the community in whole. Therefore, the company has had and still has initiatives towards employing people with disabilities from different members of society in cooperation with several licensed and specialized bodies in attracting them and providing training that enables them to perform their duties and provide them with appropriate work environment, to enable them to obtain suitable job opportunities commensurate with their skills, capabilities, and energies. In activation of the harmonization program launched by the Ministry of Human Resources and Social Development, the company obtained a harmonization certificate for the third year in a row from the ministry. This certificate comes as part of the company's efforts to develop its work environment and make it more inclusive and supportive of persons with disabilities by providing the best supportive methods and practices for them after fulfilling the conditions and standards required to obtain the necessary license to employ them.



## **Application of International Financial Reporting Standards (IFRS) applicable to the company**

The transition from accounting standards issued by the Saudi Organization for Auditors and Accountants to international standards was completed upon preparing the financial statements for the fiscal year ending on December 31, 2018. The application of these revised International Financial Reporting Standards did not have any material impact on the amounts listed for the current and previous years, but they may affect accounting for future transactions or arrangements amendments to the references to the conceptual framework in IFRS.

The company has also applied the amendments to International Financial Reporting Standard No. (9), International Accounting Standard No. (39), International Financial Reporting Standard No. (7), International Financial Reporting Standard No. (4), and International Financial Reporting Standard No. (15) - revenues from customer contracts, and IFRS 16, the second stage of interest rate measurement correction.

In addition, the application of the amendment of IFRS 16 lease concessions and the extension of the exemption granted from applying some requirements of the standard until June 30, 2022.

## **Deviation from the accounting standards approved by the Saudi Organization for Auditors and Accountants (formerly Certified Public Accountants)**

There is no difference between the accounting standards approved and applied by the company and those standards approved by the Saudi Organization for Auditors and Accountants (formerly the Saudi Organization for Certified Public Accountants).

## Declarations by company's External Auditor

The company's auditor's report did not include any reservations about the company's annual financial statements, as of December 31, 2021.

## Board of directors' recommendations regarding the company's auditor

There was no recommendation from the board of directors to replace the company's auditor before the expiry of its current appointment period, according to the engagement agreement signed in this regard.



## Compliance with the Clauses of Corporate Governance Regulations issued by the Capital Market Authority

N	Article/Paragraph No.	Article/Paragraph Text	Reasons of Non-Compliance
1	Article 32 Para (b)	<b>The Board Meetings</b> The Board shall convene no less than four meetings per year, and no less than one meeting every three months	<b>Guiding paragraph</b> The Board of Directors meets in accordance with the stipulation of Article (21) of the Company's Articles of Association. However, the Board held (7) meetings during the year 2021G.
2	Article 38	<b>Qualifications of the Secretary</b> The Board must specify the conditions that the secretary must meet	<b>Guiding Article</b> The Secretary of the Board of will be appointed in accordance with Article (20) of the Company's Articles of Association. However, the biography of the Secretary of the Board of Directors can be viewed.
3	Article 39	<b>Training</b> Training of directors and members of the executive management	<b>Guiding Article</b> The company is managed by a senior management characterized by professionalism, experience and keeping pace with developments since its incorporation coupled with its ability to expand by adding new activities and fields of work in all sectors operating the company.
4	Article 41	<b>The Assessment</b> Assessment of directors and members of the executive management	<b>Guiding Article</b> Based on the regulations and work procedures of the Nominations and Remunerations Committee, the committee is responsible for setting the means and criteria for evaluating the performance of the members of the board of directors and Executive Management

N	Article/Paragraph No.	Article/Paragraph Text	Reasons of Non-Compliance
5	Article 66 Para (b)	<b>Nomination Procedures</b> The number of nominees to the Board whose names are presented to the General Assembly shall be more than the number of available seats to give a chance to the General Assembly to select the Board members among those nominees	<b>Guiding paragraph</b> If the position of a member of the board of directors becomes vacant, the vacancy shall be covered according to Article (17) of the company's articles of association
6	Article 70	Composition of the Risk Management Committee	<b>All articles relating to the risk committee are guiding</b> - Nevertheless, the company formed a risk committee, defined its functions and works, and built the company's risk strategy, as well as the strategic plan for managing the company's risks. - The company's management continuously reviews the company's policies related to risk management to ensure the implementation of the approved policies and programs to avoid business risks that the company may face
7	Article 71	Competencies of the Risk Management Committee	
8	Article 72	: Meetings of the Risk Management Committee	
9	Article 83	Regulating the Relationship with Stakeholders	<b>Guiding Article</b> The company's articles of association and the policies and regulations approved by the general assembly of shareholders and the board of directors ensure protection and preservation of the rights of stakeholders
10	Article 85	Employee Incentives	<b>Guiding Article</b> However, the company has, within its internal policy and procedures, programs for training, developing and motivating employees.
11	Article 87	Social Responsibility	<b>Guiding Article</b>
12	Article 88	Social Initiatives	<b>Guiding Article</b>

N	Article/Paragraph No.	Article/Paragraph Text	Reasons of Non-Compliance
13	Article 89 Para (3)	<b>Policies and Procedure of Disclosure</b> The Company's website shall include all information required to be disclosed	<b>Guiding paragraph</b> However, the company has a website that is being developed and updated, and we are committed to regulatory disclosures.
14	Article 95	Formation of a Corporate Governance Committee	<b>Guiding Article</b> The work of the Board of Directors and its committees are considered among the main components of corporate governance, and each of them contributes to achieving its objectives. Therefore, a specialized corporate governance committee has not been formed.





# 06



# Declaration

- The directors declare that:
- The account records have been prepared correctly.
- The internal control system has been prepared on sound and effective bases.
- There is no or doubt about the company's ability to conduct business on going concern basis.
- All members of the Board of Directors confirm that they are not related to or have an interest in any other business or contracts that took place during the year 2021G that are not disclosed in this report.
- There are no investments or reserves created for the benefit of employees, including but not limited to (savings, shares, etc.).
- There is no penalty, fine, precautionary measure or precautionary restriction imposed on the company by any supervisory, regulatory or judicial authority during the year 2021G.

Finally, the Board of Directors thanks you for your generous trust and promises you to exert more effort and continuously strive to achieve the company's goals, vision, strategy, prospects, and aspirations.

May the Almighty bless you all.



دار المعدات الطبية والعلمية  
Scientific & Medical Equipment House

# Annual Report

[www.smeh.com.sa](http://www.smeh.com.sa)

[smeh@smeh.com.sa](mailto:smeh@smeh.com.sa)

+966 11 4646699