

## (Invitation)

### **Dar Al Arkan Real Estate Development Company announces to invite its Shareholders to attend the Ordinary General Assembly Meeting (First Meeting) using modern technology means**

The Board of Directors of Dar Al-Arkan Real Estate Development Company is pleased to invite the shareholders to participate and vote in the Ordinary General Assembly meeting (the first meeting), which is scheduled to be held at 19:30 on 28/6/2021 corresponding to 18/11/1442H, using modern technology means through the Tadawulaty system, in order to ensure the safety of shareholders and within the support of preventive and precautionary efforts and measures by the competent and relevant health authorities to address the emerging Coronavirus (COVID-19), and as an extension of the continuous efforts made by all government agencies in the Kingdom of Saudi Arabia in Take the necessary preventive measures to prevent its spread.

City and Location of the General Assembly's Meeting: Head Office of the company, 12622 Makkah Road, Al Wizarat, Beside Riyadh Marriott Hotel, Riyadh, KSA through modern technology, Using Tadawulaty Platform only for electronic voting.

URL for the Meeting Location: [www.tadawulaty.com.sa](http://www.tadawulaty.com.sa)

The Meeting Agenda as follow:

1. Voting on the Board of Directors' report for the fiscal year ending on 31/12/2020 G.
2. Voting on the auditor/s report on the Company's accounts for the fiscal year ending on 31/12/2020 G.
3. Voting on the financial statements for the fiscal year ending on 31/12/2020 G.
4. Voting on appointing the external auditor for the Company from among the candidates based on the Audit Committee's recommendation. The appointed auditor/s shall examine, review and audit the second, third quarters and annual financial statements, of the fiscal year 2021 G., and the first quarter of the fiscal year 2022 G., and the determination of the auditor's fees.
5. Voting on the business and contracts that will be concluded between the Company and the Saudi Housing Finance (SHL), in which the board member Mr. Youssef bin Abdullah Al-Shalash, has an indirect interest in it. These businesses and contracts are financing some customers of Dar Al-Arkan Company to purchase houses. During the year 2020, sales of 15.5 million saudi riyals were made. It was paid from SHL Company during the year and there is no outstanding or due balance in 2020. These transactions are continuous, to be renewed annually, and carried out in the context of regular business and in accordance with the prevailing commercial terms and without any preferential conditions. (Attached)
6. Voting on the business and contracts that will be concluded between the Company and Al-Khair Capital, in which each of the members of the Board of Directors: Youssef bin Abdullah Al-Shalash and Majid bin Abdul Rahman Al-Qasim, have an indirect

interest in it. These businesses and contracts are to provide financial consultations to Dar Al-Arkan. During the year 2020, the entire amount due was 1.5 million Saudi Riyals, was paid to Al Khair Capital Dubai Limited, which included fees and charges during the year amounted 1.5 million Saudi Riyals. During 2020, there were no transactions with Al-Khair Capital Saudi Arabia, and there is no outstanding or due balance. These services are continuous, to be renewed annually, and carried out in the context of regular business and in accordance with the prevailing commercial terms and without any preferential conditions. (Attached)

7. Vote to provide clearance to the members of the Board of Directors for the fiscal year ended December 31, 2020.
8. Voting on amending the policy of Nomination and Remunerations Committee. (Attached)

Note that every shareholder registered in the company's shareholders' register at the Depository Center at the end of the trading session preceding the meeting of the general assembly, has the right to register the electronic attendance and vote using Tadawulaty at the meeting of general assembly and according to the rules and regulations. Note that the eligibility for registering the attendance of the general assembly's meeting ends upon the convenience of the general assembly's meeting, and the right to vote on the assembly items for the attendees, ends when the screening committee finishes counting the votes.

The annual general meeting shall be valid if shareholders representing at least one fourth of the capital are present. If the quorum required to hold this meeting is not available, the second meeting will be held an hour after the end of the period specified for the first meeting, and the second meeting shall be considered valid whatever the number of shares represented in it.

Horned shareholders can vote remotely on the items on the assembly's agenda, through the electronic voting service by visiting the Tadawulaty website [www.tadawulaty.com.sa](http://www.tadawulaty.com.sa)

Note that the registration for the service and voting is freely available to all shareholders, starting at 10:00 AM on Saturday 16/11/1442H corresponding to 26 June 2021, until the end of assembly.

For inquires, you can contact the company's management through the following means of communication: phone number 00966112069888, ext. 1641 or 1154, or via email [ir@alarkan.com](mailto:ir@alarkan.com)



# **Dar Al-Arkan Real Estate Development Company**

Report of the Audit Committee for the ended  
fiscal year 31/12/2020

## Dear shareholders of Dar Al-Arkan Real Estate Development Company

### *Introduction*

The audit committee for Dar Al-Arkan Real Estate Development Company was formed according to the requirements of Articles No. (101) and No. (104) of the Companies Law, where Article (104) states: "The audit committee shall review the company's financial statements, and auditor's reports and notes, and shall provide its opinion thereon, if any. The committee shall also prepare a report of its opinion concerning the efficiency of internal control within the company, and about any other activities falling within its powers. The board shall deposit a sufficient number of copies of such report at the head office of the company at least 21 days prior to the general assembly meeting to be available for shareholders. Said report shall be read during the meeting of the general assembly".

We are pleased to share with you the annual audit committee report for the fiscal year ending on December 31, 2020, which was prepared in light of the Companies Law and the Capital Market Authority's rules and regulations. The report includes the opinion of the committee regarding the adequacy of the internal control system in the company, and the other work carried out by the committee within the scope of its competence, based on the relevant legal requirements.

### *Formation of the committee*

The general assembly of the company, at its meeting held on June 20, 2019, approved the formation of the membership of the audit committee, the functions of the committee, its work controls, and the remuneration of its members in accordance with the relevant legal requirements. Currently, the Audit Committee consists of (4) members, including three non-executive members and one independent member, and among its members shall be a member specialized in financial and accounting affairs.

### *Meetings of the committee*

In light of its regulations, the committee holds its meetings upon the invitation of its chairman. The audit committee meets at least 4 times a year, and it may increase when the need arises. The meetings of the committee are held when the legal quorum is complete, with the presence of most of its members, whether on behalf of other members if applicable. The audit committee held (5) meetings during the year 2020, with the completion of the quorum for that.

### *A summary of the most important tasks and responsibilities of the audit committee during the year 2020*

*First: The work carried out by the committee during the fiscal year ending on December 31, 2020*

#### *Financial Reports*

- Consider the results and the preliminary and annual financial statements for the fiscal year ending on December 31, 2020 with the company's management and the auditor's notes on the financial statements and following up on what has been done about them, and the results of the company's financial year review and related announcements to ensure that they meet the requirements of disclosure. The recommendation has been raised to the Board of Directors for consideration for approval and to approve its announcement on the Saudi Stock Exchange website "Tadawul".
- Verify the extent of the company's compliance with the unified accounting policies that are compatible with international financial reporting standards and the important accounting practices, including the consistency of these policies annually.
- Provide a technical opinion on the report of the board of directors regarding its preparation in accordance with the statutory requirements.

#### *Internal Audit Department*

- Review and approve the Internal Audit Plan for the year 2020.
- Follow up on the implementation of the approved audit plan for the year 2020.
- Supervise the work, scope, methodology and outcomes of the company's internal audit department, as well as to verify whether the department has the authority and resources necessary to carry out its work while preserving its independence.
- Follow-up of the company's commitment to implement appropriate control systems to measure and evaluate the risks faced by the company and to study the methods where the company's management deals with these risks, and verify the effectiveness and adequacy of the systems, and the extent of the company's management adherence to the acceptable level of risks approved by the BoD, and the committee makes appropriate recommendations to the BoD.
- Monitor the company's commitment to implement the company's corporate governance rules, verify their effectiveness, follow up on any issues regarding governance applications, and provide the BoD with recommendations.
- Study and review the company's internal and financial control and risk management systems, through studying the Internal Audit reports for the year 2020, and following up on the implementation of corrective actions.

#### *External Auditor*

- Verify the extent of the independence of the auditor, Mr. "Al Kharrashi and Partners," his objectivity and fairness, and the effectiveness of the audit work, taking into account the relevant rules and standards.
- Raise the recommendation to the BoD to evaluate the performance of the auditors, after verifying their independence and reviewing the scope of work in light with the terms of contracts.
- Review the audit plan for Dar Al-Arkan for the year 2020 prepared by the auditor, reviewing its work and verifying that it does not present technical or administrative works that are outside the scope of the audit work.
- Review all important correspondences between the auditor and the management, such as a representative letter from the management regarding the validity of the financial statements issued to the auditor, as well as the auditor's remarks letter directed to the management, if any.
- Answer the inquiries of the company's auditor.
- Study the auditor's report and his notes on the financial statements and follow up on actions had been taken in this regard.

#### *Compliance*

- Study the reports of the supervisory authorities regarding the extent of the company's compliance with the relevant regulations and instructions, and follow up the implementation of the recommendations.
- Verify the company's compliance with the relevant laws, regulations, policies and instructions.
- Review the contracts and proposed transactions that the company conduct with related parties, and raising the opinion of the committee to the BoD.

#### *Transactions with related parties*

- The Audit committee reviewed the results of the limited examination process that was carried out by the external auditor of the transactions with related parties at Dar Al-Arkan Real Estate Development Company for the year 2020 included in the report on transactions with related parties prepared by the Chairman of the BoD indicating all the transactions with related parties that the company carried out during the year based on the results of the report to the company's board of directors.

*Second: Audit Committee's opinion on the adequacy of the internal control systems*

- The audit committee, within the its scope of work, examined the periodic reports prepared by the internal audit department in addition to discussing and reviewing the results of the auditor's work, and also discussing the company's management with the results of assessing the adequacy and effectiveness of internal control.
- It became clear to the committee that the company's management has designed an internal control system commensurate with the relative importance of the financial and non-financial risks inherent in the company's activities, and considering the balance between cost and benefit to give reasonable assurances to avoid material errors or losses.
- Based on the internal audit results and the external auditor's reports during 2020, the executive management of the company has maintained an effective system of financial, operational and administrative controls and there is no material weakness as a result of relying on the integrity of the financial and accounting systems and its financial reporting. Also the executive management implemented corrective actions, where those actions can reduce the possibility of the misuse of the company's assets and its activities, relating to all the observations and recommendations raised by the Internal Audit Department to the Audit Committee. Therefore, the Audit Committee provides a reasonable basis for the efficiency and effectiveness of the company's internal control systems, however, it is not possible to provide absolute assurance about the review and assessment of the internal control procedures.