

## شركة العبد اللطيف للاستثمار الصناعي Al Abdullatif Industrial Investment Co.



# Sixteenth Ordinary General Meeting



# Report of the Audit Committee of the General Assembly for the fiscal year 2020



# Report of the Audit Committee of the General Assembly For the year ending 2020/31/12 AD

Gentlemen, shareholders of Al-Abd Al-Latif Industrial Investment Company - Respected ones Peace, mercy and blessings be upon you.

Audit Committee Company Al Abdullatif Industrial Investment is pleased - to offer to the shareholders of the company honored its annual report for the financial year ended 31 December 2020 m . where this report was finalized pursuant preparation of the provisions of Article 104 of the corporate system , which provides that the Audit Committee to prepare a report its opinion regarding the adequacy of the control system of the Interior in the company and what has to its work within its competence, and paragraph ) a ( of Article(91) From the Corporate Governance Regulations issued by the Capital Market Authority, which stipulates that the audit committee report must include details of its performance of its competencies and tasks stipulated in the companies' system and its implementing regulations, provided that it includes its recommendations and opinion on the adequacy of the company's internal and financial control systems and risk management.

## Composition of the committee:

The Audit Committee Formed by the General Assembly of the company held on ( 2019/1/23 ) : from the following members:

- .1 Mr. / Majed Abdulrahman Nassert Al-Osilan Chairman of Committee
- . 2 Mr. / Saleh Hassan Saleh Al Shaikh member of Committee
- . 3 Mr. / Abdul Aziz Abdullatif Al-Dulijan member of Committee

## Committee meetings:

The first meeting was held on	2020/19/3 AD
The second meeting was held on	2020/3/5 AD
The third meeting was held on	2020/19/5 AD
The fourth meeting was held on	2020/23/08 AD
The fifth meeting was held on	2020/4/11 AD
The sixth meeting was held on	2020/27/12 AD

## Business scope:

The main objectives of the committee are to monitor and review the efficiency of the following:

• The internal control system of the company through the work carried out by the internal and external auditor of the company and reviewing the quarterly and annual financial statements.

- Performing the company's external auditor and ensuring his independence.
- Performing the company's internal auditor and ensuring his independence.
- The company's commitment to implement the laws and regulations issued by the legislative authorities.
- Recommending the selection of the external auditor to review the company's accounts and its quarterly and annual financial statements and determine their fees.

• In addition to its role as a link between the Board of Directors, the internal auditor and the external auditor.

## Tasks and specializations undertaken by the committee :

-Study and express an opinion on the financial statements and statements of the company before submitting them to the Board of Directors, to ensure their integrity, fairness and transparency.

-Discuss the issues raised by the company's financial director.

- -Examine the accounting estimates in the fundamental issues mentioned in the financial reports.
- -Study and review the effectiveness of n systems of internal control and finance in the company through:
- Study the important changes in these systems, if any, and discuss the internal audit department's reports, recommendations, and management responses.
- Follow up on the actions taken regarding the recommendations.
- Studying and discussing the auditor's reports and recommendations, and management's responses on matters related to internal and financial control.
- Discussing the important changes in the company's business and the work environment and its impact on the internal control systems.
- Study the accounting policies used in the company by studying the significant changes and requirements of new amendments made to the International Financial Reporting Standards approved in the Kingdom of Saudi Arabia , and expressing opinion and recommendation to the Board of Directors regarding them.
- Adopting the internal audit plan, studying the internal audit reports, and following up on their implementation.

-Review the results of the reports of the regulatory authorities and verify that the company has taken the necessary actions in this regard.

- Verify the company's compliance with the relevant laws, regulations, policies and instructions through the reports of the supervisory authorities and the reports of the Internal Audit Department and the auditor, and verify that the company has taken the necessary actions in this regard
- Review the contracts and transactions proposed to be conducted by the company with related parties and present what it deems necessary in this regard to the Board of Directors.
- Recommending to the Board of Directors to appoint the auditor, determine his fees, evaluate his performance, verify his independence, review his work plan, and discuss with him to verify his ability to perform his currency and not withhold information from him.
- Recommending to the Board of Directors what actions it deems necessary to take in matters falling within its competence.

- Supervising the work of the company's external auditor, ensuring the continuity of his independence, ensuring that there are no obstacles affecting the progress of their work, and evaluating the level of efficiency and effectiveness of their performance.
- Study the notes received from the internal and external auditor of the company and follow up on their completion according to the schedule agreed upon with the company's management.

# The opinion of the committee on the adequacy of the internal and financial control and risk management system:

The Committee considers that what the t its work with respect to the fiscal year 2020 m provides confirmation reasonable for the adequacy to achieve the goals of internal control and financial company system designed from for it.



# Recommendation of the audit committee to choose an auditor



Subject: The Audit Committee's recommendation to appoint an external auditor from among the proposals submitted to the company to audit the company's accounts for the fiscal year  $(\cdot, \cdot)$  AD and the first quarter of the fiscal year  $(\cdot, \cdot)$  AD.

Building on what submitted to the Audit Committee and nominated for (2) Audit Offices to audit the accounts of the Company 's quarterly and annual (second and third quarter, fiscal year 2021 and the first quarter of the year 2022) were members of the Committee not to intercourse to submit a recommendation to the Board to submit to the Ordinary General Assembly to choose one and two by the following statement:

S	The name of the office	Status of registration in the authority		
1	Talal Abu - Ghazaleh & Partners Co.	registered		
2	Mr. Al Ayyouti and Partners Company	registered		

The committee recommended the two previous companies based on the following reasons:

- 1. Talal Abu Ghazaleh & Partners Co.:
  - Talal Abu Ghazaleh from leading the companies of the global and professional services companies operating in the fields of accounting and external and internal audit, corporate governance, tax, consulting and educational studies and economic strategy which was founded in 1972 AD works Talal Abu Ghazal company of through the offices of the number of more than *\...* offices and 150 executive offices around the world .
  - The precedent of dealing with Talal Abu-Ghazaleh's office.
  - The size of the office's work team and the office's commitment to the deadlines set by the Capital Market Authority with regard to submitting its annual and quarterly reports.
  - Its commitment to international standards.
  - Registered with the Capital Market Authority
- 2. Al-Sayyid Al-Ayyouti and Partners Company:
- Number of years of experience: as the company was established in a year 1954M in the Kingdom of Saudi Arabia.
- International membership: a member of the) More) group, which is based in London, United Kingdom.

- Rehabilitation of the office team: where the office consists in its structure of a certified partner in Saudi Arabia and America, and a number of its principal directors are certified as chartered accountants and have obtained the fellowship of the Saudi Commission, and a team of qualified auditors with various experiences.
- The company audited the accounts of a large number of joint-stock companies, banks, contracting companies, insurance, real estate investment, and a number of governmental and semi-governmental institutions, tourism companies, hotels and hospitals.
- The company's pledge to evaluate the internal control environment, accounting policies and procedures in our company, review our information technology, review financial risks, provide the company with updates and developments related to the statutory regulations and accounting standards, as well as the company's pledge to review the meetings of the Board of Directors and committees and follow-up commitment to the regularity of our Board of Directors.
- Acceptable audit cost.
- Al-Sayyid Al-Ayyouti & Partners Company is registered with the Capital Market Authority.

# Notify the Chairman of the Board of Directors of transactions and contracts with related parties



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شركة العبد اللطيف للأستثمار الصناعي Al Abdullatif Industrial Investment Co. شركة مساهمة سعودية س.ت : ١٠١٠٠٧٣٦٨٥ ص.ب٥٥٩ الـرياض ١١٤٢ الملكة العربية السعودية هـــتف ١٩٩٩٦ (١١٢٩٠١) فـــاكس: ١٩٩٩٩ (١٩٦١١)

Appendix (1)

**Dear Shareholders** 

AL Abdullatif Industrial Investment Company

Sub: Transactions with Relevant Parties

During the year that ended on 31/12/2020, the company has conducted transaction with relevant parties, as the following below:

Name of Relevant Party	First debit balance 1/1/2020	Sales to relevant party	Services and benefits to a relevant party	Services and benefits from a relevant party	Purchases from a relevant party	Received payments from a relevant party	Paid payments to a relevant party	Final balance 31/12/2020
Al Abdullatif Furniture Co.	38,452	29,945	3,968	339	26	33,541	339	38,798
Natural Gas Distribution Co.	10		÷		1,740	3	1,555	(185)
Total	38,452	29,945	3,968	339	1,766	33,541	1,894	38,613

In 2020, the company has conducted some transaction with relevant parties, as shown in the above mentioned table, details and justifications of relation as the following below:

Name	Relation				
Al Abdullatif Furniture Co.	An establishment managed by Sulaiman Omar Al Abdullatif (General Director of Al Abdullatif Furniture Co.) and currently, he is a member of board of directors and a member of board of directors in Al Abdullatif Furniture Co. (Closed joint stock), Mr. Abdullatif Omar Al Abdullatif is also a member in board of directors- Furniture Co., Mr. Fahad Omar Al Abdullatif is also a member in board of directors (closed joint stock) (indirect relation).				
Natural Gas Distribution Co.	Mr. Abdullatif Omar Al Abdullatif and Mr. Majed Abdulrahman Al-Ossailan (member of board of directors in Gas Distribution Co.), both of them are members in board of the directors in its current period (indirect relation).				

Nature of Transactions that conducted with the relevant party in fiscal year 2020, as the following:

1- Sales to a relevant party (Al Abdullatif Furniture Co.)

Sales general consist of wholesales in carpet and moquette, it should be noted that all transactions with the relevant party don't differ from those with normal creditor debtor merchants, and have no special characteristics, duration of these activities is one year and can be annually renewed by the assembly general, sales in fiscal year 2020 was (29.945) thousand Saudi Riyal.

3

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- 2- Services and benefits presented to the relevant party (AI Abdullatif Furniture Co.), these services and benefits represent the following:
- (A) Rent contract of warehouses, its first party is Al Abdullatif Industrial Investment Co. (lessor), its second party Al Abdullatif Furniture Co. (tenant), duration of contract is one year can be annually renewed by the assembly general, its value till 31/12/2020 was (2.948) thousand Saudi Riyal.
- (B) Upon providing service of ration and housing, its first party is Retaj Al Waseel Company of Maintenance, Services and Subsistent which is subsidiary of Al Abdullatif Industrial Investment Co., its second party is Al Abdullatif Furniture Co., duration of contract is one year can be annually renewed by the assembly general, its value till 31/12/2020 was (920) thousand Saudi Riyal.
- (C) Logistic services environmental services and payment represent in presented by Al Abdullatif Furniture Co., the contract value till 31/12/2020 was (100) thousand Saudi Riyal. So, the total value of services and benefits presented to the relevant party till 31/12/2020 was (3968) thousand Saudi Riyal.
- 3- Services and benefits presented by the relevant party to the company represent the following:
- (A) Rent contract of housings and others, its first party is Al Abdullatif Furniture Co. (lessor), its second party Al Abdullatif Industrial Investment Co.(tenant) for housing of some employees of Al Abdullatif Industrial Investment Co., duration of contract is one year can be annually renewed by the assembly general, its value till 31/12/2020 was (150) thousand Saudi Riyal.
- (B) Rent contract of warehouses and selling center outside Riyadh city, its first party is Al Abdullatif Furniture Co. (lessor), its second party Al Abdullatif Industrial Investment Co.(tenant)., duration of contract is one year can be annually renewed by the assembly general, its value till 31/12/2020 was (189) thousand Saudi Riyal. So, the total value of services and benefits presented to the relevant party till 31/12/2020 was (339) thousand Saudi Riyal.
- 4- Purchase from the relevant party:

Purchases generally consist of relevant party (Natural Gas Distribution Co.), purchase value on 31/12/2020 was (1.740) thousand Saudi Riyal. Purchases from relevant party (Al Abdullatif Furniture Co.) which are carpets requirements with a value of (26) thousand Saudi Riyal. So, the total value of purchases from relevant party till 31/12/2020 was (1766) thousand Saudi Riyal.

## Chairman

SULIMAN ALABDULLATIF





# Limited inspection report





#### El Sayed El Ayouty & Co. Certified Public Accountants

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#### TO THE SHAREHOLDERS AL ABDULATIF INDUSTERIAL INVESTMENT COMPANY (A SAUDI JOINT STOCK COMPANY) RIYADH - SAUDI ARABIAA

#### Subject: A limited assurance engagement to the shareholders of AL Abdulatif Industrial Investment Company (A Saudi Joint Stock Company

We have conducted a limited assurance engagement to state whether an emphasis of matter has caused us to believe that what has been detailed in the hereunder subject paragraph ("the subject") has not been reported and fairly presented, in all material respects in accordance with the related controls mentioned below.

#### The subject

The subject of the limited assurance engagement relates with the financial information described in the accompanying communication (appendix 1) submitted by the Chairman of the Board of Directors Which includes financial information on the business and contracts in which a member of the company's board of directors has a direct or indirect personal interest for the year ended December 31, 2020, in accordance with the requirements of Article (71) of the Companies Act.

#### **Related controls**

- Article (71) of the Companies Act issued by the ministry of commerce and investment (1437H -2015)
- The communication submitted by the Chairman of the Board of Directors of the company (appendix 1)
- Approval of the Ordinary General assembly held on June 10,2020 on the business and contracts in which a
  member of the company's board of directors has a direct or indirect personal interest for the year ended
  December 31, 2020

#### **Responsibilities of Management**

as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

Management is responsible for the preparation and fair presentation of the information contained in the accompanying communication prepared in accordance with the above-mentioned paragraph of the subject, and it is also responsible for choosing the methods for applying the relevant controls, as well as is responsible for implementing the internal control that it deems necessary for the preparation and fair presentation of the information contained in the above subject paragraph and it is free from any material misstatements, that are free from material misstatement, whether due to fraud or error, choosing and applying appropriate controls, maintaining adequate records and making reasonable estimates according to the relevant circumstances and events.

#### Our responsibility and the basis for the conclusion

It is our responsibility to provide a limited assurance conclusion on the above subject based on the limited assurance engagement we have conducted in accordance with the International Standard for Assurance Engagements (3000) "Assurance engagements other than audits or reviews of historical financial information" adopted in the Kingdom of Saudi Arabia, and the related terms and conditions with this engagement that was agreed upon with the company's management

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#### Our responsibility and the basis for the conclusion ... (Continued) :

Our procedures have been designed to obtain a limited level of assurance sufficient to provide a basis for expressing our conclusion, and accordingly, we have not obtained all of the evidence required to provide a reasonable level of assurance. The procedures implemented depend on our professional judgment, including the risk of material misstatements in the matter, whether due to fraud or error. We also took into consideration the effectiveness of internal controls when determining the nature and extent of our procedures, and our engagement was not designed to provide assurance about the effectiveness of these controls.

We are independent of the Company in accordance with the professional code of conducts and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our limited assurance, and we have fulfilled our other ethical responsibilities in accordance with these requirements and we also apply the international standard for quality control (1).

#### Summary of the conducted procedures

The procedures applied in a limited assurance engagement differ in nature, timing, and are less in scope than those applied in reasonable assurance engagements. As a result, the level of assurance that is obtained in a limited assurance engagement is much lower than that which would be obtained had a reasonable assurance engagement been conducted.

#### Our procedures that we have conducted include the followings:

 Obtaining the communication submitted by the Chairman of the Board of Directors, which includes financial Information on the business and contracts in which a member of the company's board of directors has a direct or indirect personal interest in it for the year ended December 31, 2020, in accordance with the requirements of Article (71) of the companies Law (Appendix 1).

 Reviewing the minutes of the board of directors' meetings, which refer to inform the members of the board of directors of the works and contracts that they perform for the year ended on December 31, 2020.

- Comparing the financial information contained in Appendix (1) with the company's accounting records for the year ended December 31, 2020

#### Conclusion

Based on the limited assurance procedures that we carried out and the evidence obtained, nothing has come to our attention that causes us to believe that what was detailed in the above subject paragraph has not been reported and presented fairly, in all material respects, in accordance with the relevant controls



FOR EL SAYED EL AYOUTY & CO.

A- Balamsk Abdullah A. Balamesh

Certified Public Accountant

License No. (345)

Riyadh : March 24,2021

Corresponding to : Shaaban 11,1442H