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Audit Committee's Annual Report 2023

The Chairman and Member of the Board of Directors

Greetings,

The Audit Committee aims to aid the board of directors for optimally performing its responsibilities, including, among others, verifying the efficiency of the internal control system, for the sake of achieving the best interests of both the company and its shareholders. In addition, the Committee provides recommendations to the board for activation and development of the Internal control system. The Committee is entitled, without any restrictions, to review and have access to all information and data and study the initial and annual financial statements as well as accounting and financial policies adopted by the company and any modification in such policies, to give opinion and recommendation in respect of them before being approved by the board of directors.

The Audit Committee's duties and responsibilities are summed up as follows:

1. Study the financial statements before presenting them to the Board of Directors and initiate their opinion and recommendation thereon. Verification of accounting estimates in material matters contained in financial reports.
2. Verification of accounting estimates in material matters contained in financial reports.
3. Follow up the work of chartered accountants and approve any work outside the scope of the audit work carried out by them.
4. Recommend to the Board of Directors the appointment of a unit manager, internal audit department or internal auditor.
5. Study and review the company's internal and financial control systems.



6. Control and supervise the performance and activities of the internal auditor and the internal audit department to verify the availability of the necessary resources and their effectiveness in performing the work and tasks entrusted to them.
7. Recommending to the Board of Directors the nomination and dismissal of auditors, determining their fees, and evaluating their performance. of matters that it deems necessary to take action to the Board of Directors and begin its recommendations with the actions to be taken.
8. Verifying the company's compliance with relevant laws, regulations, policies, and instructions.
9. Raise the issues it deems necessary to take action on to the Board of Directors and begin its recommendations with the actions that must be taken.

The committee has held four meetings during 2023, and the following table shows the members of the Committee and the attendance record during the year.

Name	07/02/2023 AD	14/03/2023 AD	16/05/2023 AD	08/08/2023 AD	06/11/2023 AD
Fawzia bint Saleh Baazeem	Attended	Attended	Attended	Attended	Attended
Abdul Aziz Ahmed Al-Kabab	Attended	Attended	Attended	Attended	Attended
Mohammed Bin Hamad Al Fares	Attended	Attended	Attended	Attended	Attended

The achievements completed The Committee during 2023:

1. Studied the initial and annual consolidated financial statements to ensure they are in line with the accepted accounting standards and accounting policies adopted in the company.

1. Studied the initial and annual consolidated financial statements to ensure they are in line with the accepted accounting standards and accounting policies adopted in the company.
2. Approving the internal audit plan for the year 2023 after discussing it with the Director of internal Audit.
3. Perform the internal audit of the following Departments:
 - ✓ Information Technology Department.
 - ✓ Human Resource Department.
 - ✓ Sales Department.
 - ✓ Procurement Department.
 - ✓ Finance Department.
4. Discuss the internal audit reports made to the company's departments according to the approved plan, review corrective actions and follow up on.
5. The committee approved the offer submitted by the audit office (Protiviti) and approved the financial offer submitted by them to assist in the tasks of internal audit work and study the company's general risks. This is in order to improve internal audit work, preserve the company's gains, ensure its continued growth, and protect it from risks. Work will begin in the first quarter of 2024.

The Committee discussed this report in its meeting No. (1) held on 13/03/2023 and recommended it to the Board of Directors for adoption.

Yours Respectfully,

Members of the audit committee

Mrs. Fawzia bint Saleh Baazeem - Member

Dr. Abdul Aziz Ahmed Al-Kabab - Member

Eng. Mohammed Bin Hamad Al Fares - Chairman

signature


Independent Auditor’s Report

To the **Shareholders of Baazeem Trading Company**

(A Saudi Joint Stock Company)

Report on the audit of the consolidation financial statements

Opinion

We have audited the consolidated financial statements of **Baazeem Trading Company** (A Saudi Joint Stock Company) (The “company”) and its subsidiary referred to together as the "Group", which comprise the consolidated statement of financial position as of December 31, 2023, and the consolidated of profit or loss, and other comprehensive income, changes in shareholders’ equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements presents fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and professional Accountants (“SOCPA”).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have also fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Refer to note no. (2) group information regarding the Group investment in baazeem trading company - Qatar (a subsidiary). It shown that the investment is registered under the name of one of the main shareholders (Chairman of the Board of Directors) since the beginning of 2008. This investment was approved in the minutes of the meeting of the Board of Directors and the minutes of the General Assembly of the company.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter, a description of how our audit addressed the matter is set out below:

Key Audit Matters	Procedures taken towards the Key Audit Matters
<p>Inventory: Inventory is considered a key audit matter due to the nature of the activity of the group that depends primarily on the inventory in generating revenue and the extend of its impact on the business results of the group.</p>	<p>We have performed the following procedures regarding existence and valuation of inventory balance:</p> <ul style="list-style-type: none"> - Attending the physical inventory count held by the group. - Evaluating the design and effectiveness of internal control procedures for the inventory accounting cycle.

Independent Auditor’s Report (continued)
Key Audit Matters (continued)

Key Audit Matters	Procedures taken towards the Key Audit Matters
<p>Inventory (continued): As at December 31, 2023, the group’s inventory balance amounted to SAR 48.3 million (December 31, 2022: SAR 66.2 million), which exceeds 23.3% of the total current assets and 20.1% of the total assets of the group (December 31, 2022: 31% of the total current assets and 26.5% of the total assets), and given the importance of the inventory balance, valuations, and assumptions related to its obsolescence and decline in its value, this matter was considered a Key audit matter.</p> <p>Please refer to note No. 3-10 for the accounting policies and note No. 8 for the relevant disclosure on the accompanying consolidated financial statements.</p>	<ul style="list-style-type: none"> - Evaluating the appropriateness and adequacy of disclosures related to inventory in the financial statements. - Testing the valuation of inventory measurement at cost price or net realizable value, whichever is lower.
<p>Revenue recognition: During the year ended 31 December 2023, Group’s revenue amounted to SAR 257.1 million (December 31, 2022: SAR 263.4 million). The Group continues to be under pressure to meet goals and expectations which may lead to misstatements in revenue.</p> <p>Revenue recognition is a key audit matter because there is a risk that management may override controls to misrepresent revenue transactions.</p> <p>Please refer to note No. 3-17 for the accounting policies and note No. 18 for the relevant disclosure on the accompanying consolidated financial statements.</p>	<p>We have performed the following procedures regarding revenue recognition:</p> <ul style="list-style-type: none"> - Evaluating the appropriateness of the accounting policies related to the revenue recognition of the Group by taking into consideration the requirements of IFRS 15 "Revenue from Contracts with Clients". - Evaluating the design, implementation and testing of the operational effectiveness of the Group's control procedures, including the control procedures to prevent fraud when recognizing revenue in accordance with the Group's policy. - Testing sales transactions, on a sample basis, and perform cut-off tests of revenue made at the beginning and end of the year to assess whether the revenue has been recognized in the correct period. - Testing sales transactions, on a sample basis, and verify the supporting documents, which included delivery notes signed by customers, to ensure the accuracy and validity of revenue recognition

Other information

The other information comprises the information included in the Group’s annual report for the year ended 31 December 2023, other than the consolidated financial statements and the auditor’s report thereon, Management is responsible for the other information.

We have received the Board of Directors' report, which forms an integral part of the annual report, on the date of the auditor's report.

Our opinion on the consolidated financial statements does not cover other information, and we do not and will not express any form of assurance conclusion thereon. In our audit of the consolidated financial statements, it is our responsibility to read the information described above. In doing so, we consider whether the other information is not materially consistent with the financial statements or knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Group's annual report, if and when available if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Independent Auditor's Report (Continued)

Responsibilities of Management and those charged with Governance for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standard that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the regulations for companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of the consolidation financial statement that are free from material misstatement whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's consolidated financial reporting process.

Auditor's Responsibilities for the Audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these consolidation financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We are also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or commercial activities within the group, to express an opinion on the consolidated financial statements. We are responsible for directing, supervising, and implementing the group review process. We remain solely responsible for the audit opinion.

Independent Auditor's Report (Continued)
Auditor's Responsibilities for the Audit of the consolidated Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Al-Kharashi Co.



Abdullah S. Al Msned
License No. (456)



Riyadh:
 Ramadan 10, 1445
 March 20, 2024

**INDEPENDENT LIMITED ASSURANCE REPORT ON BOARD OF
DIRECTORS' PERSONAL INTERESTS REGARDING BUSINESS
AND CONTRACTS RELATED TO THE COMPANY IN
ACCORDANCE WITH PROVISIONS OF ARTICLE (71) OF
COMPANIES LAW**

To the Shareholders
Baazeem Trading Company (A Saudi Joint Stock Company)
Riyadh – KSA

Scope of work:

We have performed a limited review of attached notification submitted by Board of Directors of Baazeem Trading Company (A Saudi Joint Stock Company) (the "Company") to the Ordinary General Assembly on business and contracts in which one of Board of Directors' member has a direct or indirect personal interest in it. The management of Company is responsible for preparing this attached notification. We have performed our limited review in accordance with International Standard on Auditing No. 3000 (assurance engagements other than audits or reviews of historical financial information) approved by Saudi Organization for chartered and professional Accountants (SOCPA). We are independent of the Company in accordance with the professional code of conduct and ethical endorsed in the kingdom of Saudi Arabia, and we have fulfilled our ethical responsibilities in accordance with these requirements.

Our review included procedures to obtain reasonable assurance that enable us to give a conclusion from the limited review we performed.

The limited review is significantly lower in scope than the audit to express an opinion on attached notification submitted by Board of Directors of the Company to the Ordinary General Assembly on business and contracts in which one of Board of Directors' members has a direct or indirect interest in it. Accordingly, we do not issue such an opinion.

Conclusion:

Based on procedures, we have performed, and evidence obtained, and with exception of what is indicated and disclosed in attached notification submitted by Board of Directors, nothing has come to our attention that makes us believe that any of Board of Directors' members of Baazeem Trading Company has a personal interest in business and contracts that was made for the Company's account during the year ended December 31, 2023.

For Al-Kharashi Co.



Abdullah S. Al Msned
License No. (456)

Riyadh:
Ramadan 10, 1445 H
March 20, 2024





Date: 03/09/1445 A.H.
Corresponding to: 13/03/2024

Subject: Compliance with Articles (71) of Companies Law and Provisions of Chapter (6) of Corporate Governance Regulation

Messrs. Baazeem Trading Company Shareholders
Incorporated Saudi Company

Dear Sirs,

May the Peace, Mercy and Blessings of Allah be upon you,

Pursuant to Articles 71 of Companies Law issued by the Ministry of Commerce, and Provisions of Chapter Six (6) of Corporate Governance Regulation issued by Capital Markets Authority regarding the interaction and engagement between the Company and its Board of Directors, we would like to inform you of the following:

The Chairman of the B.O.D. has transactions with the Company in his capacity as the owner of Baazeem Trading Company in the State of Qatar. Furthermore, transactions conducted within 2023 are as follows:

Company	Process Type	Amount
Baazeem Trading Est. - Qatar	Procurement payment within the financial year of 2023	SAR 5,637,313
Baazeem Trading Est. - Qatar	Charges payment within the financial year of 2023	SAR 268,308
Baazeem Trading Est. - Qatar	Allocation of profits for 2022	SAR 864,555
Baazeem Trading Est. - Qatar	Receipts during 2023	SAR -7,714,445

Furthermore, please be advised that these transactions have been carried out without any preferential conditions.

Thank you & Best Regards,

Salem bin Saleh Baazeem

Chairman of B.O.D.

Fawzeah Saleh Baazeem

Deputy Chairman of the Board

Ahmad Saleh Baazeem

Board of Directors

Talat Zaky Reda Hafez

Board of Directors

Mohammed Hamad ALfares

Board of Directors