

**SCIENTIFIC & MEDICAL EQUIPMENT HOUSE CO.
AUDIT COMMITTEE**



ANNUAL REPORT 2025

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1. Introduction

The Audit Committee of Scientific & Medical Equipment House (SMEH) Co. directly supervises the operations of the internal audit department and is committed to working to provide best professional practices in the fields of audit in its various aspects (financial, administrative, and operational) through adherence to the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA) and the subsequent updates that included changing the structure of the framework (IPPF) by integrating the five mandatory elements (mission, definition of internal audit, core principles, code of ethics, and standards) into one document named "Global Internal Audit Standards (GIAS)".

The Audit Committee also constantly seeks to raise the efficiency of internal controls to achieve its main objective of adding value to the company and helping to improve its business by ensuring that all controls and governance procedures in the company work effectively, and work to assist the Board of Directors also the executive management to carry out their work with a high degree of integrity, efficiency and effectiveness, in pursuit of this goal, the Audit Committee submitted this annual report for the year 2025.

2. Audit committee membership

According to the decision of the General Assembly of Scientific & Medical Equipment House (SMEH) Co. on Monday, 14/10/2019, the Audit Committee was formed for a period of (3) years ending on 13/10/2022, and it was renewed for a new period of (3) years according to the General Assembly's decision of (SMEH) on Wednesday corresponding to 29/06/2022 ending on 13/10/2025, On 04/12/2024, the appointment period was amended to become (4) years, subject to the approval of the BOD & the General Assembly of the company, and not exceeding the term of the BOD and not conflicting with the company's governance regulations and approved policies and standards.

According to the decision of (SMEH)'s general assembly on Tuesday corresponding to 15/11/2022, it was approved to increase the number of audit committee members to become (4) members, having adequate experience and good knowledge in the financial, operational, administrative, and legal affairs: –

1. Mr. Luay Ali Sartawi (Chairman).
2. Mr. Ahmed Nihad Al Zaeem (Member).
3. Mr. Mohamed Abdel-Fattah Mohamed (Member).
4. Mr. Mohamed Ibrahim Al-Hokail (Member-Indep. BOD).

On 05/05/2025, the Nominations & Remuneration Committee issued a recommendation regarding the appointment of Mr. Munir Ahmed Al-Serri (member – independent BOD) to replace Mr. Mohammed Ibrahim Al-Haqil (member – independent BOD) as a member of the committee, effective date: 14/10/2025 until the end of the current Board of Directors term, which will end on 30/07/2026. the recommendation was approved by the Board of Directors on its meeting No. (075/Q M J/28/2025) dated 10/08/2025.

3. Audit committee objectives

The main objective of the Audit Committee of (SMEH) Co. is to participate and assist the Board of Directors of the company in its responsibilities in relation to the following: -

1. Monitoring the company's financial, administrative, and operational activities and reporting such to both the Board of Directors and the General Assembly (if necessary).
2. Verify SMEH's internal control system and its adequacy, and issue any recommendations to the Board of Directors that would enhance and develop the internal control system in a way that achieves the company's objectives and protects the interests of shareholders.
3. Verifying the efficiency and effectiveness of corporate governance and issue recommendations to the company's management to improve the corporate governance system.

4. Audit committee independence

The Audit Committee of Scientific & Medical Equipment House (SMEH) Co. is completely independent from the executive management of the company, and it did not face any material restrictions by the executive management during its work.

5. Audit committee documents

The internal audit work in Scientific & Medical Equipment House (SMEH) Co. is organized through the following documents: -

1. Audit Committee Regulations.
2. Audit Committee Guide.
3. Internal Audit Charter.
4. Internal Audit Manual – Policies & Procedures.

6. Audit committee duties

A. Monitoring the company's financial, administrative, and operational activities

1. Review operational Policies & Procedures for the whole company and express its opinion.
2. Review the company's Accounting Policies and express its opinion to the Board of Directors, regarding its adequacy to the nature of the company's business.
3. Review material issues impacting the company's financial and operational performance.
4. Recommend to the Board of Directors the appointment of the external auditors, the termination of the contract with them, and the determination of professional fees, also ensuring their independence.
5. Review the scope of work related to the external auditors and issue any observations in order to enhance the efficiency and effectiveness of implementation of the audit plan.

6. Review the interim and annual Financial Statements, before submitting them to the Board of Directors with recommendation for approval.
7. Review the observations of the external auditors on the Financial Statements (Management report), and follow up with the concerned parties.

B. Evaluating Internal Control & Governance

1. Report its opinion about the adequacy/efficiency of the internal control system to the General Assembly of the company in its annual report.
2. Review Corporate Governance and risk systems in the company, expressing its opinion and recommendations, and raising it to the Board of Directors.
3. Ensure the existence and implementation of a periodic internal review function and evaluation the mechanism of Corporate Governance system.
4. Review the Internal Audit Department report about progress of implementation of recommendations related to Corporate Governance, risk, and internal control systems, and report to the Board of Directors once the committee finds out that the recommendations have not been taken into consideration.

C. Supervision of the Internal audit

1. Review the Internal Audit Charter and the audit committee manual also recommend its approval to the Board of Directors. Or General Assembly (if necessary).
2. Review and approve the strategic, annual, and progressive internal audit plans.
3. Ensure the independence of the internal audit from the executive management, and ensure that there are no restrictions limiting its work.
4. Supervise the Internal Audit Department in the company and ensuring its efficiency performing its functions.
5. Review the Internal Audit Department reports and follow up the implementation of corrective actions related to the observations recorded.

D. Others

1. Verify the existence, approval, and adherence to the code of ethics of the company.
2. The committee has the right to request the assistance of specialists and external parties to carry out tasks as per the scope of its work and require special expertise.
3. Submit reports to the Board of Directors and/or the General Assembly (if necessary) regarding its activities and recommendations.

7. Audit committee meetings

The Audit Committee conducted (12) meetings during the year 2025, for the purposes of carrying out its duties, supervising the work of the Internal Audit Department (audit plan/audit reports/ Nomination and selection of external auditors), in addition to discussing and approving the issuance of the consolidated (annual/ interim "Quarterly") financial statements of the company.

The Audit Committee emphasizes the need to adhere to the implementation of recommendations issued related to the organizational units of the company, and the continuation of the Internal Audit Department's follow up of the implementation of such recommendations, and disclose the progress as approved in the internal audit plan.

8. The adequacy of the company's internal control system

Based on the audit work performed during the year 2025 and the observations reported by the Internal Audit Department, which were discussed and confirmed/approved by both the Audit Committee and the Executive Management of the company, **the Audit Committee confirms the following:** –

1. We have noted general sufficient enhancement in the company's internal controls system which provide acceptable assurance to avoid material errors, prevent fraud, and its related losses.
2. We emphasise the need of continuation of improvement of the internal controls system, in accordance with business requirements and best practices, to achieve the company's goals.
3. The continuation of the cooperation and support of the Executive Management is a must to keep the momentum of the implementation of the Audit Committee's issued recommendations and to expedite the execution of the corrective action plan.

Chairman of the Audit Committee



Luay Ali Al Sartawi