The Annual Report of the Shareholders Audit Committee for the year 2020 G

M/S Shareholders of Wafrah for Industry and Development

The audit committee of Wafrah for Industry and Development wishes to provide shareholders - in accordance with Article 104 of the Companies Law - its annual report. Which includes a summary of the performance of the previous audit committee during the financial year ending on 31/12/2020 G.

Since the current audit committee did not witness the aforementioned financial year, it has relied, in preparing this report, on the internal audit in the concerned financial year.

Formation of the Audit Committee:

The previous Audit Committee was formed by a decision of the Ordinary General Assembly of shareholders on 24/10/2019 G. For a period of 3 years ending with the end of the Board of Directors session in 2022 to monitor the company's business and verify the integrity and integrity of reports, financial statements, internal control systems, accounting policies, and oversee the work of internal audit and the company's auditor.

The previous audit committee was dismissed, and the current audit committee was formed from the date of the assembly meeting on 14/03/2021 G until the end of the board session on 13/01/2024 G.

Audit Committee meetings:

The previous audit committee held three meetings during the financial year 2020:

The first meeting: to discuss and approve the results of the annual financial statements for the year 2019.

The second and third meetings to discuss and approve the results of the financial statements for the first and second quarter of 2020, respectively.

As for the results of the third quarter, they were approved by the board of directors, because the previous audit committee could not meet due to the resignation of the committee chairman.

All members of the previous committee attended all of the two committee meetings.

The previous audit committee continued to carry out its work in accordance with Article 54 and Article 55 of the Corporate Governance Regulations.

Reducing capital:

Due to the losses incurred by the company in the financial year ending on 31/12/2019, which caused accumulated losses amounting to 61.4% of the company's capital of 200 million riyals. The board of directors of the company, after taking the statutory approvals, reduced the company's capital from 200 million Saudi riyals to 77,170,350 Saudi riyals to offset accumulated losses of 122,829,650 riyals. The Ordinary General Assembly approved the reduction of the capital on 08/04/2020.

At the end of the financial year ending on 31/12/2020, the company incurred losses amounting to 13,351,045 riyals.

During the year 2020 G, there were great risks facing the company, and the most important of these risks was the decrease in demand for the company's products due to the decline in purchasing power. The biggest risk was the Corona pandemic, which affected sales during the year due to the precautionary measures imposed by the Ministry of Health and the relevant authorities, which led to the closure of restaurants and markets or restricting their activities. In addition, the suspension of the Umrah and visit season, and the company has applied preventive precautionary measures to prevent the spread of the epidemic. The year also witnessed a decrease in the company's liquidity.

The most important activities of the committee during the year 2020 G:

First: Examination of the financial statements for the financial year ending on 31/12/2020 G

In this regard, the committee has done the following:

1. Reviewing and monitoring the results and indicators of the quarterly and annual financial statements for the financial year ending on 31/12/2020 G. Before submitting it to the Board of Directors to ensure its fairness, fairness and transparency.
2. Expressing a technical opinion - at the request of the Board of Directors - on the fairness and clarity of the company's financial statements and their inclusion of information that allows shareholders to assess the financial position of the company and its performance.
3. Study any important or emerging issues included in the financial reports.
4. Searching for any issues raised by the company's financial director or the auditor.
5. Study the accounting policies used in the company and express opinion and recommendation to the Board of Directors in their regard.
6. Submit recommendations to the Board of Directors for approval.
7. Ensure that all procedures that were followed in preparing the financial statements, as well as the accompanying clarifications, are in line with the accounting standards recognized in the Kingdom and international standards.

In this context, the committee submitted reports on the most important issues discussed in the audit committee meetings to the Board of Directors.

Second: Choosing the company auditor:

In this context, the committee has studied the offers submitted by the offices of the auditors. After verifying the independence and objectivity of the aforementioned offices, the committee submitted its recommendation for the best two offers for approval of one of them by the ordinary general assembly in accordance with the regulations.

Third: Internal Audit Department:

The audit committee has done the following:

1. Review and approve the internal audit plan for the fiscal year 2021 G.
2. Reviewing the independence of the internal audit department from the executive management and verifying that there are no unjustified restrictions on the work of the internal audit department.
3. Supervising the internal audit department and following up and reviewing the implementation of the approved internal audit plan.
4. The audit committee, through the internal audit department, has ensured that the executive management has taken the necessary measures to implement the recommendations contained in the internal audit reports. Which would contribute to enhancing and improving the effectiveness of the company's internal control system.

Fourth: Examination and review of the company's internal control procedures:

The audit committee examined and reviewed the internal control procedures of the company and made sure that there is a system for internal control of the company that helps to achieve stability when conducting various operations. The company's internal control system provides accurate accounting and administrative data and information for management so that it can rely on it and take the necessary decisions regarding it.

Fifth: The results of the evaluation of internal control systems and the opinion of the audit committee:

The Audit Committee works on developing and supporting the internal control and control systems on an ongoing basis. Based on the reports presented to the committee from the internal audit department of the company, the company’s auditor and the executive management, it was not clear to the audit committee that there are observations or fundamental weaknesses in the company's internal control systems. The company's internal control procedures are sound, prepared on a sound basis, and are being effectively implemented.

In conclusion, the audit committee would like to thank the board of directors for their support and support for the committee to accomplish its tasks for the year 2020 G.

Chairman of the Audit Committee

Faisal Abdullah Muhammad Al-Qahtani