

## Introduction

### A statement from the Managing Partner

We are pleased to release the Transparency Report of Baker Tilly MKM & Co Certified Public Accountants through which we seek to reach out to those interested and provide an insight into how we carry out our duties as independent auditors using a risk-based audit approach.

This is the second transparency report that is published in accordance with the requirements stipulated in Article 13 of the “Auditors Registration Rules for Entities Subject to the Authority’s Supervision” issued by the Capital Market Authority in the Kingdom of Saudi Arabia for the fiscal year ending on June 30, 2020.

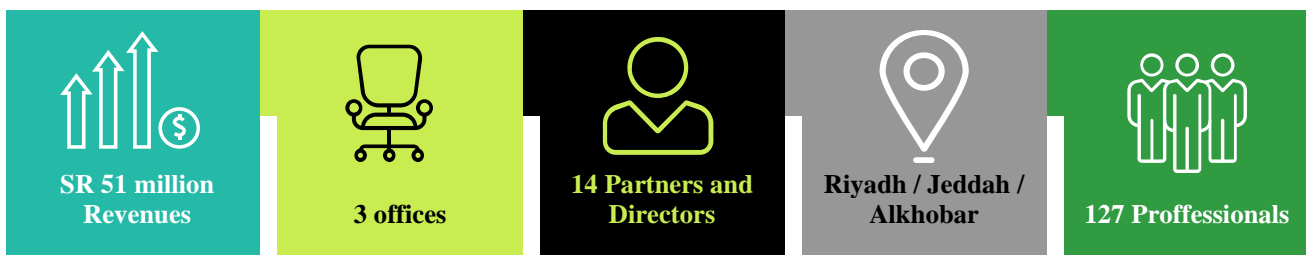
Baker Tilly MKM & Co. Certified Public Accountants, (the “Firm”), is a Saudi mixed professional partnership operating in the Kingdom of Saudi Arabia under Commercial Registration No. 1010428101 issued from the city of Riyadh on 25 Muharram 1436 H.

The Firm provides its services through three offices in Riyadh, Jeddah, and Khobar in the Kingdom of Saudi Arabia. The Firm provides audit and assurance services, zakat and taxes services, and other consulting services under professional license No. 479/11/323 dated 9 Ramadan 1433 H.

The Firm is a member of a growing global network, driven by success and committed to serving clients of every sector and size.

We share one ambition, which is to provide the suggestions our customers need now to accelerate growth and prepare to meet the challenges of tomorrow and seize the opportunities of tomorrow.

We believe in the power of great relationships.  
We drive and listen for important conversations.  
We direct change toward a great future.



We are proud to be a member of the Baker Tilly network, a global network of independent accounting and business advisory firms, whose member firms share our dedication to exceptional client service.

The international network gives us significant global reach in addition to our substantial national presence. We collaborate to leverage our skills, resources and local expertise to help our clients grow locally, nationally and globally.

More information on the global network can be found at [www.bakertilly.global](http://www.bakertilly.global)



**Ayad Alseraihi**  
Managing Partner



## Organization Structure

The Firm is owned by Saudi partners and by Baker Tilly LLC as follows:

Name	License	Role
Ayad Alseraihi	405	Managing Partner
Majed Alnemer	381	Partner
Bader Altamimi	489	Partner
Baker Tilly MKM - UAE	-	Partner

The Licensed partners and the employees of the Firm are not members of any boards of directors of any entities subject to the supervision of the Saudi Capital Market Authority or any of the committees emanating from their boards of directors, except the following:

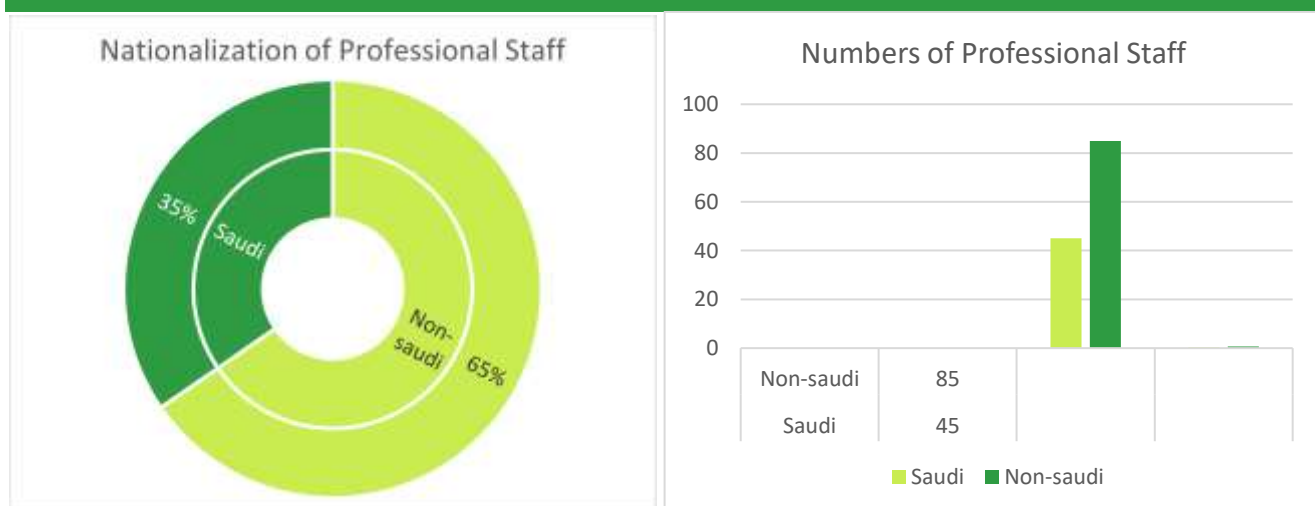
Name	Position	ESAS
Abdelmuti Abdelhadi, <i>Senior Director</i>	Independent member of audit committee	4003 United Electronics Co
		1302 Bawan Company
		Blominvest Saudi Arabia Co

The Firm's business is managed by the partners and a specialized team of qualified executives. The following are the Firm's senior executives as of June 30, 2020:

Name	Position	Location
Ayad Alseraihi	Managing Partner	Head Office & Jeddah
Majed Alnemer	Partner	Riyadh
Bader Altamimi	Partner	Khobar
Hashem Abu Farha	Senior Director Representative of Baker Tilly MKM	Head Office

No committees were formed during the fiscal year.

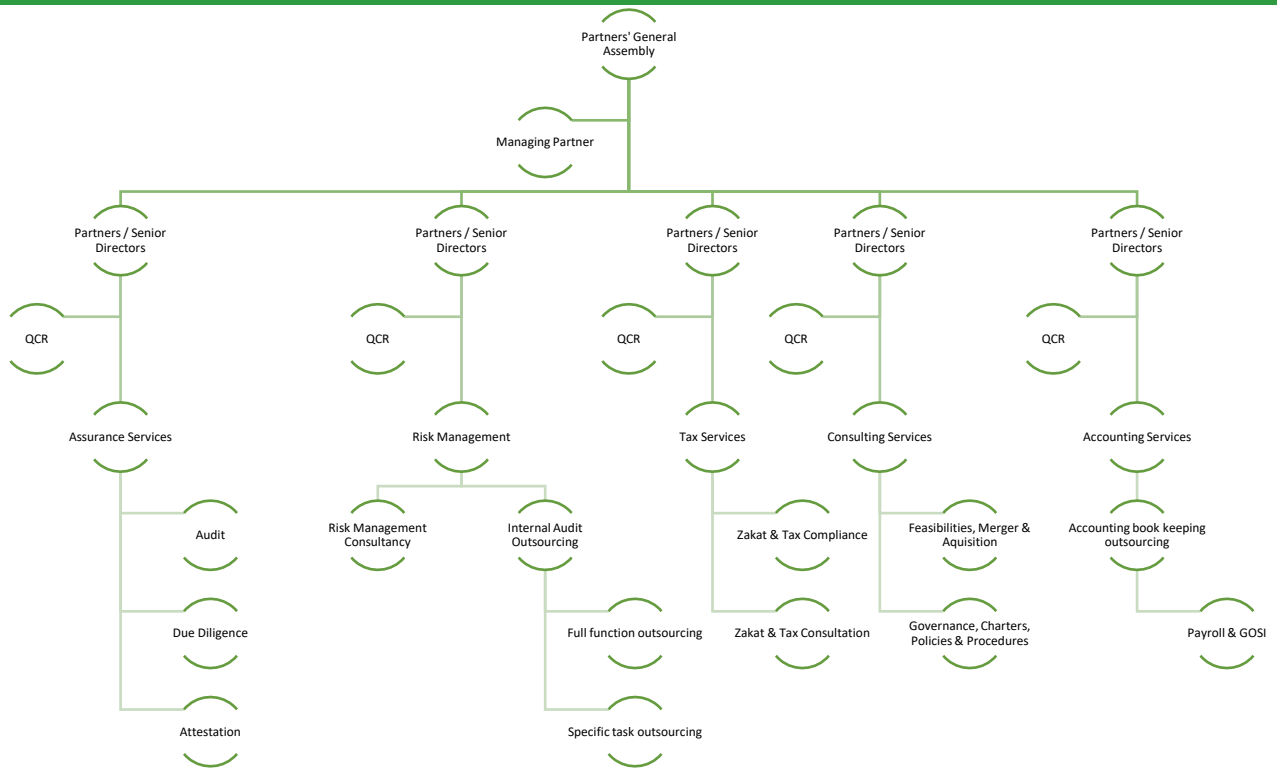
## Nationalization



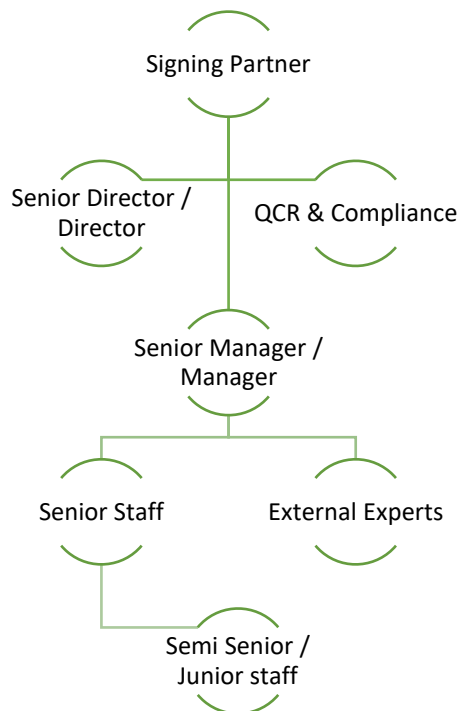
The number of technical workers in the Firm in the Kingdom of Saudi Arabia is 130, of whom 45 are Saudi nationals. The number of administrative workers is 23, of whom 17 are Saudi nationals.



## General Organizational Structure:



## Project Team Structure





## Audit Clients Subject to Capital Market Authority's Supervision

Enteritis Subject to the Authority's Supervision (ESAS)	Partner Name
Saudi Arabian Amiantit Company	Ayad Alseraihi
Al Ahli Takaful Company	Ayad Alseraihi
Raydan Food Company	Ayad Alseraihi
United Wire Factories Company	Ayad Alseraihi
Saudi Chemicals Holding Company	Majed Alnemer
Saudi Printing & Packaging Company (SPPC)	Majed Alnemer
Saudi Research and Marketing Group (SRMG)	Majed Alnemer
Reef 1 Real Estate Fund	Ayad Alseraihi
Reef 1 Real Estate Fund	Ayad Alseraihi
Reef 3 Real Estate Fund	Ayad Alseraihi
Itqan Fund for Murabahat and Sukuk	Ayad Alseraihi
Itqan Capital Fund for Saudi Equity	Ayad Alseraihi
Gulf Investors Assets Management Company	Ayad Alseraihi
Musharaka REIT fund	Majed Alnemer
Musharaka Capital Company	Majed Alnemer
Musharaka IPO Fund	Majed Alnemer

The total number of working hours for these engagements is **7,477** hours, of which 380 hours for partners and 1,812 hours for directors and audit managers.

The above partners are not members of any board of directors or any of the committees of the entities subject to the authority's supervision.

## Financial Information for the period ended June 30, 2020

Description	Amount SR,000
Gross revenues	50,778
Audit revenues from ESAS	2,575
Other revenues from ESAS audit clients	193
Other Revenues from ESAS non-audit clients	766



## Continuous Professional Education

The Firm adheres to the rules governing the continuing professional education program issued by the Saudi Organization for Certified Public Accountants and the Firm's Quality Control Manual. Participation is made in training programs prepared by the Saudi Organization for Certified Public Accountants, in addition to training programs, seminars and updates prepared by Baker Tilly International and other third-party specialized institutions. The Firm also implements multiple internal training courses according to the needs and variables.

Continuous professional education for all employees is monitored and appropriate programs are developed for all levels to comply with the requirements in this regard.

The following is a summary of the continuing professional education hours of audit staff for ESAS clients during the year:

Name	Position	Number of Hours	Type
Ayad Alseraihi	Managing Partner	62	Official External and Internal
Majed Alnemer	Partner	67	Official External and Internal
Osama Nobani	Senior Director	26	Official External and Internal
Jamal Sholi	Senior Director	43	Official External and Internal
Wasim Alaya	Senior Director	NA	Official External and Internal
Khaled Barahme	Senior Director	35	Official External and Internal
Yazan Odeh	Senior Director	58	Official External and Internal
Amro Barbarawi	Audit Manager	41	Official External and Internal
Husam Abu Gharbieh	Audit Manager	37	Official External and Internal
Samer Altamimi	Audit Manager	37	Official External and Internal
Mohammad Oweis	Audit Manager	37	Official External and Internal
Ehsan Ajlouni	Audit Manager	105	Official External and Internal
Ahmed Alnaji	Audit Manager	NA	Official External and Internal
Ahmed Jaber	Audit Manager	28	Official External and Internal
Abdullah Qassab	Audit Manager	55	Official External and Internal



## Quality Control

The Saudi Organization for Certified Public Accountants has adopted the International Standard on Quality Control (ISQC1), as issued by the International Council for Auditing and Assurance Standards.

The main goal that we aspire to achieve related to the services we provide to our customers is to provide the best services with a level of efficiency and professionalism that is not less than the level they expect from us and meets their needs without affecting the performance of our mission and continuing to perform it in accordance with the accounting and auditing standards and regulations applicable to our profession.

Our Firm has given special attention to quality control, and the quality control manual has been prepared in accordance with ISQC1 and applied in our offices in the Kingdom of Saudi Arabia and circulated to all Firm's employees. The guide covers the following aspects related to the elements of the quality control system in our Firm:

### First - leadership responsibilities regarding quality within the office.

The Firm's policies and procedures included in the Firm's Quality Control Manual aim to spread an internal culture that recognizes that quality is essential for implementing audit engagements. These policies and procedures require the partners and executives of the Firm to assume ultimate responsibility for the Firm's quality control system. The Firm's policies and procedures require that the persons to whom operational responsibility is assigned for the Firm's quality control system have sufficient and appropriate expertise and capabilities and the necessary powers to assume that responsibility.

### Second - Relevant ethical requirements.

The firm's policies and procedures are intended to provide it with reasonable assurance that the firm and its personnel adhere to relevant ethical requirements. (See "Independence" on the next page)

### Third - Acceptance and continuity of relationships with the client and specific engagements.

Policies and procedures for accepting relationships with clients and accepting each specific engagement and continuing those relationships and engagements have been developed in accordance with the requirements of the International Standard for Quality Control (1) with the aim of providing the firm with reasonable assurance of compliance with the requirements of the aforementioned standard.

### Fourth - Human Resources.

The firm's quality control guide includes:

- A. Policies and procedures aimed at providing him with reasonable assurance that he has a number of competent and capable working individuals committed to the ethical principles necessary to implement engagements in accordance with professional standards and to enable those responsible for engagements to issue appropriate reports as required by circumstances.
- B. Policies and procedures for appointing engagement teams in accordance with the requirements of the International Standard for Quality Control (1).
- C. Policies and procedures for appointing appropriate technicians who have the competencies and capabilities necessary to implement the engagements in accordance with professional standards and enable those responsible for engagements to issue appropriate reports under the existing circumstances.



### **Fifth - implementation of the link.**

The Office's Quality Control Manual includes the policies and procedures for implementing engagements in accordance with the requirements of ISQC1. The Firm uses a global computer program specialized in auditing and designed to meet the requirements of international auditing standards. It covers all stages of engagement, from acceptance procedures, planning, risk assessment, controls examination, substantive tests, and reporting. All workpapers are prepared electronically and the files are kept on computer storage environment. The execution of engagements takes into consideration the provision of the necessary qualified and trained human resources appropriate for the of engagement. Checklists for adherence to professional standards and legal requirements, in addition to several forms, are used to document many procedures such as independence forms, materiality calculation forms, statistical samples, and others.

### **Sixth - Follow-up.**

The Office's Quality Control Manual includes follow-up policies and procedures in accordance with the requirements of the International Standard for Quality Control (1).

Examination tasks are assigned to executives with experience and competence, and issues of independence and impartiality are taken into account in assigning these tasks. The Firm evaluates the policies and procedures in light of the results of the examination. The partners and officials are informed of the deficiencies and recommendations, and the necessary corrective actions are taken. The quality control manual is continuously reviewed and updated to comply with professional and regulatory developments, and policies and procedures are updated when there are corrective measures approved based on the results of the quality control examination reports.

**Seventh - Compliance with the provisions of the chartered accountants' system, its regulations,** and other regulations related to the work of the chartered accountant.

The Firm's Quality Control and Compliance Manual has been prepared to provide reasonable assurances of adherence to the provisions of the Chartered Accountants Law and its regulations and other regulations related to the work of the chartered accountant.

This quality control system has been prepared on sound foundations, and appropriate mechanisms have been put in place for its effective implementation.



## Independence

The Firm's Quality Control Manual, which was prepared by the Firm in accordance with the International Standard for Quality Control (1), includes a description of the Firm's independence policies. These policies have been prepared on sound foundations and appropriate mechanisms have been put in place to implement them effectively.

The Firm has developed policies and procedures that provide a reasonable degree of assurance that the Firm, the Firm's individuals and others, as appropriate, who are subject to independence requirements, at all levels, are aware of the rules for independence and that they apply these rules in form and substance.

The conditions and relationships that include a threat to independence are identified and evaluated, and appropriate measures are taken to get rid of those threats or reduce them to an acceptable level through the application of preventive measures or withdrawal from the engagement, if necessary.

- It is not involved in auditing the financial statements of companies or institutions in which the employees of the Firm have a direct or indirect interest in them in accordance with Article Fifteen of the Executive Regulations of the Law of Certified Public Accountants.
- Do not combine the work of auditing the financial statements of companies and institutions and participating in their establishment, membership of their board of directors, or carrying out technical, administrative or accounting work in the company, even by way of consultation, except for zakat and tax work.
- The independence of the auditors in the office, with complete independence in all matters related to auditing, and commitment to integrity and objectivity when evaluating audit evidence and evidence and when expressing opinion on the financial statements.
- All employees of the Firm must immediately report violations of independence that they may become aware of.
- All employees of the Firm at all organizational levels must abide by the rules, provisions, and interpretations of independence and the rules and ethics of the profession related to dealing with clients.
- All Firm employees are informed of the Firm's policies and procedures related to independence.
- Special questionnaires are completed for this purpose.
- All Firm's employees are informed of the lists of audit clients of the Firm. The lists are updated, and the employees are informed of any change.
- Every year, all the employees of the Firm are informed of the office's policies and procedures related to independence, and that everyone is required to document that there is no relationship that might compromise their independence from clients.
- Partners / executives have been appointed to consider, decide and document any exceptions.
- Partners, executive directors, audit managers and supervisors are provided with the clients' receivables statement every month with the aim of reviewing the accounts of the clients to see if any of the amounts owed by clients have become obsolete to the extent that they take on the character of a loan and may lead to a breach of the independence of the office.
- The audits of the financial statements of the joint stock companies listed in the market require the periodic change of the partner responsible for the engagement and the individuals responsible for examining the quality control.
- Multiple forms have been provided to document independence.





## Internal Reviews

Approximately every three years, a special team independent of the office performs the periodic internal review in accordance with the program prepared by Baker Tilly and in accordance with the Firm's global policy, so that working papers files are reviewed and verified that the work was carried out in accordance with professional principles and also to verify the extent of the office's commitment to quality control and adherence to policies and procedures A system of quality control at all professional levels. After the review, a report is prepared with the results of these reviews and referred to the concerned authorities, including the competent office, to be dealt with.

In addition to the periodic internal review carried out by the special team, an executive manager independent of the client's audit team reviews the financial statements and main working papers of specific categories of clients to ensure the quality of professional performance by the work team.

According to the latest internal investigation process that was carried out during the year 2017, it was carried out by a qualified chief executive director, independent of the work teams. The Firm discussed the recommendations of the internal investigation process and the application of appropriate procedures to improve the quality of professional performance and follow-up on the application, including the Firm informing the partners of the results of the examination and the workers were circulated to the need to adhere to the recommendations and other procedures to ensure compliance.

The results of the above-mentioned examination do not indicate that the Firm's quality control system is not sufficient to provide reasonable assurance that it has complied with professional standards and applicable legal and regulatory requirements and that the reports issued by the office or the partners responsible for the engagement are appropriate according to the circumstances.

## Penalties / Sanctions / Lawsuits

There are no penalties, sanction, precautionary measure or precautionary restriction imposed on the Firm or chartered accountants working for it during the previous fiscal year.

There are no lawsuits, claims, or ongoing investigations that could materially affect the work of the Firm during the previous fiscal year.