

Deloitte & Touche Bakr Abulhair & Co. – Saudi Arabia Transparency Report 2013

Deloitte & Touche Bakr Abulhair & Co. – Saudi Arabia is pleased to set out below its 2013 Transparency Report. This transparency report is in respect of the financial year ended 31 May, 2013, except if indicated otherwise.

Legal structure and network description

Deloitte & Touche Bakr Abulhair & Co. (herein referred to as the “Firm”) conducts its business in the Kingdom of Saudi Arabia through a network of 3 offices. Deloitte & Touche Bakr Abulhair & Co. is constituted as a partnership registered in the Ministry of Commerce and Industry and is wholly owned by its partners.

Deloitte & Touche Bakr Abulhair & Co. operates in accordance with local regulations, provides professional services through registered Saudi partners who, by law, must be licensed by the Saudi Organization for Certified Public Accountants. The Firm is registered with the Ministry of Commerce and Industry under registration # 96. The head office of the Firm is situated at Al-Sulimania District, Prince Turki Bin Abdullah Al-Saud Street, Riyadh, Saudi Arabia. Deloitte & Touche (ME) is a partner in Deloitte & Touche Bakr Abulhair & Co. Deloitte & Touche (ME) has a permanent representative in Deloitte & Touche Bakr Abulhair & Co. Deloitte & Touche (M.E. is the Middle East member firm of the Deloitte Network. As of the date of this report, Deloitte & Touche (M.E.) is the Middle East member firm of Deloitte Touche Tohmatsu Limited (DTTL). DTTL is an English company, limited by guarantee, whose member firms provide services in particular geographic areas and are each legally separate and independent of one another. Member firms operate under the Deloitte brand and related names. These names include “Deloitte,” “Deloitte & Touche,” “Deloitte Touche Tohmatsu,” “Tohmatsu,” and others. Deloitte & Touche Bakr Abulhair & Co., which constitutes a part of Deloitte & Touche (M.E.) provides audit and related assurance services through its engagements with clients.

Governance structure of Deloitte Touche Bakr Abulhair & Co.

The governing body of Deloitte & Touche Bakr Abulhair & Co. consists of partners, one of whom serves as the Chairman and Managing Partner of Deloitte & Touche Bakr Abulhair & Co. The Chairman is responsible for drawing up plans for the execution of partnership policy and for the follow up of its implementation. Such policy covers areas including professional and administrative matters, operating and capital budgets and the monitoring and determination of partners’ roles, responsibilities, performance, quality and financial matters.

The Chairman of Deloitte & Touche Bakr Abulhair & Co. has also established various committees staffed by partners and senior directors to oversee remuneration and partner nomination processes and to ensure adherence to corporate governance and risk management requirements.

Significant leadership roles within Deloitte & Touche Bakr Abulkhair & Co. are held by partners and senior directors who are appointed by the partners and their responsibility areas include Ethical practices, the maintenance of appropriate Independence standards, monitoring of Reputation & Risk and Quality Control of work performed for clients. There is no fixed term for such leadership roles. These roles address the activity in each of the 3 offices of the Deloitte & Touche Bakr Abulkhair & Co. network. This Transparency Report describes those roles as well as other policies and procedures that are applicable throughout the 3 offices of Deloitte & Touche Bakr Abulkhair & Co.

Ethics, independence and quality control

Deloitte & Touche Bakr Abulkhair & Co. provides audit and related assurance services through its engagements with clients. When taken as a whole, this Overview provides a summary of the quality control procedures related to those engagements, and is organized into the following sections:

- Leadership responsibilities for the system of quality control
- Ethical requirements
- Human resources
- Client and engagement acceptance and continuance
- Engagement performance
- Monitoring

Leadership responsibilities for the system of quality control

The Firm maintains policies and procedures to promote an internal culture based on the recognition that quality is our number one priority. The Firm focuses on professional excellence as the foundation for achieving outstanding audit quality on a consistent basis. While the partners of Deloitte & Touche Bakr Abulkhair & Co. assumes ultimate responsibility for the system of quality control, the partners and senior directors assigned with operational responsibilities for the quality control system have sufficient and appropriate experience and ability as well as the necessary authority to assume that operational responsibility.

Ethical requirements

Ethics

The Firm maintains policies and procedures that are designed to provide reasonable assurance that it and its partners, senior directors, professional staff, and administrative staff comply with relevant ethical requirements.

The ethical requirements for audit and related assurance services provided by the Firm include Parts A and B of the Code of Ethics for Professional Accountants (“Code”) issued by the International Ethics Standards Board for Accountants (“IESBA”), a standard-setting body of the International Federation of Accountants (“IFAC”) and, in Saudi Arabia, the Ethics requirements of the Saudi Organization for Certified Public Accountants (“SOCPA”). When national requirements are more restrictive than the Code, the Firm follows the applicable national requirements.

Deloitte & Touche Bakr Abulhair & Co. has appointed a Chief Ethics Officer, who is an experienced senior director, other than the Chairman and Managing Partner (collectively referred to as “Chairman”) of Deloitte & Touche Bakr Abulhair & Co., who has direct access to the Chairman and the partners. In addition, the Firm has developed and implemented its own code of conduct that describes, in some detail, critical professional behavior that reflects local customs, regulations, and legal requirements.

The Firm provides communication channels through which partners, professional and support staff can consult on and report ethical issues and situations. The Firm reinforces its commitment to ethics and integrity through communication tools, learning programs, compliance processes, and measurement systems.

The Firm requires all partners, professional staff, and support staff to confirm annually that they have read and understood the code of conduct and understand that it is their responsibility to comply with the code.

Independence

The Firm has policies and procedures that are designed to provide reasonable assurance that it complies with applicable independence standards. These policies and procedures are based on the Code, and are enhanced, as appropriate, to reflect local standards or DTTL network policies that may be more restrictive.

The Firm’s systems and controls related to independence are categorized into the following areas:

- Independence policies and procedures
- Compliance systems, including the Deloitte Entity Search and Compliance system, the Global Independence Monitoring System and Confirmations
- Business relationship assessments and monitoring
- Independence learning
- Monitoring of independence systems and controls relating to personal independence, and engagement and practice reviews
- Disciplinary measures and actions
- Assignment of responsibility for independence systems and controls
- “Tone-at-the-top” culture relating to independence

1. Independence Policies and Procedures

The Firm’s independence policies and procedures cover the Firm, and the Firm’s partners, senior directors, professional staff, administrative staff, and relatives thereof, where applicable. These policies and procedures are, in some instances, more restrictive than the independence standards in the Code and contain specific independence requirements that are applicable when the Firm is to maintain independence with respect to a client (“restricted entity”) and the client’s affiliates.

Policies require that the Firm, its partners, senior directors, and professional staff determine, among other things, whether an entity is a restricted entity before the Firm, a partner or professional staff (including their spouse, spousal equivalent, and dependents) engage in certain transactions with the entity. The Firm, partners, senior directors, and managerial personnel enter their financial interests and accounts into a tracking system (the “Global Independence Monitoring System” or “GIMS”). GIMS enables an electronic review of financial interests

and accounts to help identify if independence restrictions may affect an individual's ability to hold such items. The Firm annually obtains confirmations from its partners, professional staff, and administrative staff that such individuals are in personal compliance with independence policies.

The Firm's independence policies and procedures are made available electronically to the Firm's partners, senior directors, professional staff, and administrative staff. Updates to these policies and procedures are also made and communicated electronically to the Firm's partners, senior directors, professional staff, and administrative staff. Moreover, other independence-related materials are available on an independence website. Reminders on policy and other matters are routinely published as part of communications showing changes to the entities that are internationally restricted.

Policies and procedures are in place at the engagement level to require the audit engagement partner to consider independence matters during the course of the audit engagement and to address the completeness of communications with the audit committee or those charged with governance, where required.

2. Deloitte Entity Search and Compliance System (“DESC”) system, the Global Independence Monitoring System (“GIMS”), and Annual Confirmations

There are three related aspects of the Firm's systems and controls related to the Firm's independence and the personal independence of its professionals: DESC, GIMS, and the Confirmation process. These three aspects support each other in that (1) partners, senior directors, and professional staff search DESC, (which includes a database of publicly-held restricted entities) and/or GIMS (which has a database of financial interests and accounts), to identify if an entity or its financial interests or accounts are restricted before acquisition; (2) partners, senior directors, and managerial personnel record their financial interests and accounts in their portfolios in GIMS; and (3) the Firm periodically confirms to DTTL its compliance and the compliance of its partners, senior directors, professional staff, and administrative staff with the Firm's independence policies.

Deloitte Entity Search and Compliance (DESC) system

DESC is operated by DTTL on behalf of the DTTL member firms. Each DTTL member firm reports the names of its clients and their affiliates that meet the definition of an international restricted entity. The policy definition of an international restricted entity includes public audit clients, as well as other entities that may be of public interest. Such restricted entity information is recorded in the DESC system. The entity information provided by the Firm to DTTL is continuously updated to help ensure its accuracy and completeness, including periodic validation processes performed by engagement teams or the DTTL member firms. Updates to DESC's entity information are made daily based upon these processes. The Firm's partners and professional staff access DESC on-line.

DESC also has features that are used to request and document approvals related to providing services to an internationally restricted entity. In many jurisdictions, a restricted entity's audit committee must pre-approve services that will be delivered within the restricted-entity group. In other jurisdictions, similar third-party approvals are needed which may not involve the audit committee. Where such features are enabled for the restricted entity and its corporate group, DESC's features establish a standard business process among the DTTL member firms whereby service requests are submitted to the lead client service partner, who is

responsible for obtaining and documenting such appropriate third-party authorizations prior to approving the service request, and prior to providing the service.

Global Independence Monitoring System (GIMS) for financial interests and accounts

Each DTTL member firm also identifies and reports the publicly-available securities and accounts that are associated with an international restricted entity. Such securities and accounts are recorded in GIMS. GIMS is operated by DTTL on behalf of the DTTL member firms, and each DTTL member firm administers the related monitoring processes related to its partners, senior directors, and professional staff. Partners, senior directors, and professional staff search DESC for an entity, and/or GIMS for a security or account, before acquiring a financial interest or establishing an account, to determine if restrictions apply that affect them. This includes investments for or on behalf of a spouse, spousal equivalent, and dependent. Partners, senior directors, and managerial personnel enter defined types of such financial interests and accounts into their individual portfolios in GIMS for monitoring purposes.

GIMS assists partners, senior directors, and managerial personnel by identifying situations which may not comply with policy so that the item may either be reviewed or corrected. When such a situation is detected, the system advises the individual that an independence-impairing situation may exist, and poses questions which aid the individual to determine whether the item is permitted or not. This includes generating notices to the individual in situations where a once-permissible holding becomes restricted, so that appropriate and timely actions can be taken. The Firm monitors and follows-up on such notices until the individual resolves the item.

Confirmations

The Firm annually obtains confirmations from its partners, senior directors, professional staff, and support staff. Annually, the Firm reports to DTTL that the Firm has taken appropriate steps to obtain sufficient evidence that it and its partners, senior directors, professional staff and administrative staff comply with applicable independence requirements (including that the Firm itself is independent of restricted entities).

Consultation Network

The Firm communicates with its partners, senior directors, and employees regarding the consultation policies for independence matters and identifies the individuals who are to be contacted. Additionally, the Firm consults with DTTL's independence group and other member firms when the Firm determines that additional input or advice is needed under the circumstances.

3. Business relationship assessments and monitoring

The Firm has a business relationships assessment and monitoring process. The objective of such process is to ensure that any business relationship entered into with a restricted entity or its management or substantial stockholders does not impair independence with respect to that restricted entity.

Business or commercial conflicts may arise if a proposed engagement or other relationship has the potential to harm an existing client relationship or the Firm's interests. The Firm and its personnel enter into various business relationships which may be broadly regarded as either marketplace relationships (e.g. alliances, sponsorships, speaking engagements) or vendor relationships (e.g. rent of office space, hotel accommodation, software).

Business relationships with Firm restricted entity clients are subject to limitations as they have the potential to compromise the Firm's independence. A mandatory review is required for each new business relationship to assess all involved entities from the independence perspective. Ongoing business relationships are tracked so that our independence can be properly evaluated in the case of a potential new audit relationship. The Firm uses the business relationships module of its proprietary software, the Deloitte Conflict Checking System (DCCS) which provides functionality to support the business relationship process to track, review and monitor business relationships.

4. Independence Learning

The Firm provides independence learning to its partners, senior directors, and professional staff. This learning material comprises of mandatory e-learning modules and which are made available by DTTL.

5. Monitoring of Independence Systems and Controls Relating to Personal Independence, Engagement and Practice Reviews

Inspection of Personal Independence

On a periodic basis, the Firm inspects for compliance with the Firm's independence policies and procedures. The objective of the inspection and testing program is to determine whether the representations and information submitted by partners, senior directors, and managers relating to independence matters and the information contained in GIMS is accurate and complete.

Inspection of Firm's Compliance

The Firm is subject to a practice review at intervals not to exceed three years. Compliance with independence policies at both a firm level and at a client level is reviewed.

See further details of engagement and practice reviews in the Monitoring section below.

6. Disciplinary Measures and Actions

The Firm has disciplinary procedures in place to address non-compliance with the Firm's independence policies and procedures. These disciplinary procedures are designed to provide an appropriate response to breaches of such policies and procedures by partners, senior directors, professional staff and support staff.

7. Assignment of Responsibility for Independence Systems and Controls

Deloitte & Touche Bakr Abulkhair & Co. has assigned a Director of Independence who has the responsibility to implement and maintain quality controls over independence at all of its offices. More specifically, the Director of Independence is responsible for taking the lead on all significant independence issues within the Firm, including the implementation and maintenance of the Firm's business processes related to: (1) independence consultation, (2) independence learning programs, (3) restricted-entity information in DESC, (4) use and monitoring of the features of DESC, (5) use and monitoring of GIMS, (6) annual confirmations, (7) testing and inspection programs, and (8) disciplinary processes. Communication channels exist between the Deloitte & Touche Bakr

Abulkhair & Co. Director of Independence, Firm and Deloitte & Touche (M.E.) management and DTTL's independence group.

DTTL has assigned a senior leader and independence team that provide access to timely and accurate information designed to facilitate the independence function at the Firm level.

8. "Tone-at-the-Top" Culture Relating to Independence

Firm leadership reinforces the importance of compliance with independence and related quality control standards, thereby setting the appropriate "tone-at-the-top" and instilling its importance into the professional values and culture of the Firm. Strategies and procedures to communicate the importance of independence to partners, senior directors, professional staff, and administrative staff have been adopted, emphasizing each individual's responsibility to understand the independence requirements.

Conflicts of Interest

Potential conflicts of interest are considered on all prospective engagements and prior to the Firm entering into a financial or business relationship with a third party. The Firm has policies and procedures in place to identify potential conflicts of interest in connection with the Firm either (i) accepting a prospective engagement or (ii) entering into certain business or financial relationships with another entity.

The Deloitte Conflict Checking System (DCCS) is designed to support the Firm's conflict checking business process to identify and manage potential conflicts relating to prospective engagements, business or financial relationships. For each new engagement or relationship opportunity, DCCS captures the principal parties to the engagement, the scope of work, engagement team, and specific questions which are driven by the proposed service offering. As part of each conflict check recorded in DCCS there is an automated search of DESC to identify any potential audit/attest relationships. DCCS also provides an automated means of cross-border conflict checking. Overall DCCS provides a record of existing engagement, business, and financial relationships which is automatically searched when proposing for new engagements or relationships.

Human Resources

Hiring

The Firm has established policies and procedures designed to provide reasonable assurance that partners, senior directors, and professional staff have the competencies, capabilities and commitment to ethical principles necessary to:

- Perform engagements in accordance with professional standards and applicable legal and regulatory requirements; and
- Enable the Firm to issue reports that are appropriate in the circumstances.

The Firm, a recognized best employer in the Middle East has well established talent attraction and recruitment programs in place for both graduates and experienced hires. Best practice HR tools and processes are used to identify top candidates at all levels including the global Recruitment Management System (RMS), university relations, referral programs, job boards, social networking, agencies, and more. Recruitment strategies and

interventions grouped under the ME Talent Attraction Program (TAP) as well as a detailed Deloitte ME Interview Guide (DIG) are set in place to ensure that both graduate candidates and experienced hire candidates go through standardized competency and behavioral based interviewing, cognitive and personality testing batteries, background checks, and screening committee processes for partners, principals and directors to find candidates that are the most appropriate fit for the Firm.

For graduates, the DITT program (Deloitte Invites Top Talent) is an invitation only program targeting top students from key universities in Saudi Arabia and across the region. Aside from selecting the top talent with a minimum grade point average, DITT targets bi-lingual candidates in the selection process and the Firm is introduced as both a Y and gender friendly environment. The program has streams one of which positions it as a nationalization program directed in the GCC countries.

Advancement

The Firm's policies and procedures for advancement have been established to provide reasonable assurance that professional staff selected for advancement have the qualifications necessary to fulfill the responsibilities they will be called on to assume. A few of the policies and procedures are identified below.

- Various professional staff levels within the Firm and descriptions of the related competencies required to perform effectively at each level have been established.
- Advancement policies and procedures that identify the experience and performance qualifications for advancement to each level have been established and communicated to the Firm's professional staff.
- Procedures for periodic performance evaluation have been established.
- A counseling program to assist professional staff in identifying realistic career paths and developing action plans to help realize professional goals has been established.

Professional Development

The purpose of the Firm's professional development program is to help partners, senior directors, and professional staff as well as maintain and enhance their professional competence. To supplement on-the-job development, the Firm provides formal continuing professional development programs in relevant subject areas.

The Firm has developed a competency model, I Manage my Performance ("iMAP"), specific to each function used to express the areas of personal capability for partners, senior directors, and professional staff. iMAP has three main components: technical competencies which are functionally specific; core competencies which are common across the functions; and competencies for specialization. The iMAP model is a combination of knowledge, skills, and attitudes that are necessary to perform the various roles within the Firm. As such, this competency model forms the basis for structuring the continuing professional development program.

All partners, senior directors, and professional staff take personal responsibility to ensure that their own continuing professional development and education is appropriate to their roles, responsibilities, and professional requirements. However, the Firm establishes minimum levels of continuing professional development to be undertaken by partners, senior directors, and professional staff within a specific period of time. These levels include a minimum of 20 hours of structured learning per year and 120 hours of structured

learning in every three-year period (i.e., an average of 40 hours per year). To achieve these levels of development, the Firm offers structured, formal learning programs such as internal or external courses, seminars, or e-learning covering all areas of the competency model (i.e., shared competencies, functionally-specific technical competencies, and competencies in areas of specialization).

Client and engagement acceptance and continuance

The Firm has rigorous policies and procedures in place for accepting prospective engagements and assessing engagement risk, regardless of the proposed services to be rendered.

These policies and procedures are designed to provide the Firm with reasonable assurance that it will only accept engagements where it:

- Is competent to perform the engagement and has the capabilities, including time and resources, to do so
- Can comply with relevant ethical requirements, including independence and conflicts of interest assessments and considerations.
- Has considered the integrity of the client, and does not have information that would lead it to conclude that the client lacks integrity.

Engagement risk classification associated with accepting appointment to serve a client is assessed as either “normal,” “greater than normal” or “much greater than normal” and is completed prior to the commencement of work. The engagement risk assessment process includes approval by the recommending partner and concurrence by at least one other Firm partner that we may accept the client and the engagement. In addition, the decision to accept appointment is approved by the Deloitte & Touche (M.E.) Audit Risk Leader if engagement risk is assessed as “greater than normal” or “much greater than normal.”

On international engagements, engagement acceptance and continuance procedures are performed at the member firm level. The Firm does not assume the acceptability of a client and/or the engagement merely because it has been referred from another member firm.

In assessing acceptability of an engagement, we consider client and professional service risks, which generally include the following factors:

- Management characteristics and integrity
- Organization and management structure
- Nature of the business
- Business environment
- Financial results
- Business relationships and related parties
- Prior knowledge and experience
- Professional competence and availability of Firm personnel

The Firm’s engagement risk assessment procedures identify related risks and provide a basis for tailoring the audit approach in order to address engagement-specific risks.

The engagement risk assessment begins during the engagement acceptance/continuation process, and is an ongoing process that continues throughout the engagement. Risk assessment tools and programs are

encompassed in the audit approach and common documentation to facilitate the comprehensive risk assessment for planning the audit once the engagement is accepted.

On an annual basis, engagements in process for more than one year are evaluated to determine if the Firm should continue the engagement. Factors discussed above are revisited to ascertain whether the relationship should continue.

In addition, any time an entity undergoes a significant change (e.g., change in ownership or management, financial condition, or nature of entity's business), continuation of the relationship is reevaluated. Decisions of engagement continuance are concurred by one other partner.

Engagement performance

Assignment of Partners and Professional Staff to Audit Engagements

The Firm assigns responsibility for each audit engagement to an audit engagement partner/senior director. The Firm's policies define the responsibilities of the audit engagement partner/senior director and those responsibilities are communicated to that partner/senior director. As well, the identity and role of that audit engagement partner/senior director is communicated to key individuals of the client's management team and those charged with governance at the client.

The Firm also has policies and procedures in place so that partners, senior director, and professional staff assigned to all audit engagements have the appropriate degree of proficiency for their role and the responsibilities to be performed.

An engagement team ordinarily includes one or more of each of the following: audit engagement partner/senior director, audit principal / manager, field senior, and staff. However, the engagement team will be developed based on the size, nature, and complexity of the entity's operations. Every audit engagement team is under the control and supervision of the audit engagement partner/senior director to whom responsibility for the conduct of all audit services on the engagement is assigned. The audit principal / manager assigned to the engagement are responsible for providing primary supervision and direction to the professional staff in the execution of the audit plan and in the performance of the audit engagement. The field senior is responsible for the day-to-day supervision of the other members of the engagement team.

The audit engagement partner/senior director considers many factors to determine that the engagement team collectively has the appropriate capabilities, competencies, and time to perform the audit engagement. Factors considered in this determination include, among others:

- The size and complexity of the entity's business
- The applicable financial reporting framework used in preparing the financial statements
- Applicable independence considerations, including any possible conflicts of interest
- The qualifications and experience of professional staff

Audit Approach

The audit approach includes requirements and guidance to assist in the planning and performance of audit engagements and is based on the International Standards on Auditing issued by the International Auditing and

Assurance Standards Board of IFAC. The Firm has further supplemented these requirements and guidance to reflect local requirements as applicable. The common documentation and the enabling software technology are tools that enhance the consistent implementation of the audit approach and promote effectiveness and efficiency.

The audit approach is comprised of following elements:

Understanding of the entity and its environment

An understanding of the entity and its environment, including its internal controls, to assess the risks of material misstatement at the financial statement and assertion level is vital to performing an effective audit. The Firm's audit teams develop this understanding and assess financial statement risks in a number of ways, including analyzing financial information to identify trends and unusual balances; holding in-depth discussions with management and those charged with governance; considering the inherent nature of each financial statement component and the risks associated with that component; evaluating the reliability of internal controls; assessing the extent to which technology is used in the financial reporting process; and reviewing internal audit findings.

As necessary, based on the nature of the entity's information systems and the extent to which technology plays a role in the transaction processing and financial reporting processes, information technology specialists may be involved in the audit engagement.

Testing the operating effectiveness of controls

The engagement team obtains an understanding of the entity's internal controls in each audit engagement. For certain engagements, when required by local auditing standards or when included as a component of the financial statement audit procedures, engagement teams may also test the operating effectiveness of the entity's internal controls in preventing or detecting and correcting material misstatements.

Audit procedures

Engagement teams tailor the audit plan to address the risks associated with the entity, the audit engagement, and the financial statements as a whole.

Throughout the audit, engagement teams continually assess risk and how audit findings bear on the audit procedures. AuditSystem/2's framework allows our partners and professional staff to modify the audit procedures to address issues that arise in the course of the audit.

Use of Experts

While the engagement partner/senior director retains responsibility for all aspects of the engagement, there are instances when the engagement team utilizes an expert. In such instances, an engagement team evaluates whether the expert has the necessary competence, capabilities and objectivity.

In evaluating whether or not the expert's work constitutes appropriate audit evidence in support of the financial information, the engagement team considers:

- The source data used;
- The assumptions and methods used and, if appropriate, their consistency with those used in the prior period; and

- The results of the expert's work in light of the engagement team's overall knowledge of the business and of the results of its audit procedures.

Engagement Documentation

The Firm maintains policies and procedures to support the assembly and archiving of audit files whereby the audit engagement team submits the audit files for archiving within the shorter of: (1) 60 days from the date of the report; or (2) the period set out in applicable professional standards and regulatory and legal requirements. The Firm's policies and procedures address the retention of documents (in paper and electronic form), including those that address the confidentiality, safe custody, integrity, accessibility and retrievability of archived documentation.

Engagement Team Reviews

A review of the audit documentation is required to be performed by a member of the engagement team who has more experience than the preparer. In some cases, elements of audit documentation may be reviewed by several team members.

Engagement Quality Control Reviews

An engagement quality control review is performed for all audit and related assurance services, with limited exceptions. The review is performed by a partner/senior director, principal or a manager who is not directly involved in the engagement and who has the appropriate experience and knowledge about applicable accounting and auditing standards and regulations. The engagement quality control reviewer is not part of the engagement team and is not portrayed in fact or in appearance as a member of the engagement team. Appropriate experience and knowledge includes experience and knowledge of the entity's industry, economic environment, and accounting principles. For all public interest entities and all high risk engagements, the review is performed by a partner/senior director.

The reviewer is appropriately briefed by the engagement team and conducts the review in such a manner that sufficient knowledge and understanding is obtained in order to reach conclusions. The reviewer's responsibility is to perform an objective review of significant auditing, accounting, and financial reporting matters, to document the procedures the reviewer performed and to conclude, based on all the relevant facts and circumstances of which the reviewer has knowledge, that no matters that have come to his or her attention would cause the reviewer to believe that the significant judgments made and the conclusions reached were not appropriate in the circumstances.

Special Reviews

For engagements that have been identified as having much greater than normal engagement risk, a special review partner/senior director is assigned to provide an additional level of competence and objectivity in planning and performing the engagement. The special review partner/senior director is independent of the engagement. Normally this partner/senior director possesses specialized industry and technical skills applicable to the engagement and, in certain situations, is independent of the practice unit to enhance objectivity or to provide specialized resources.

Consultation Network & Differences of Opinions

Deloitte & Touche Bakr Abulkhair & Co. has established a consultation network to assist in resolving issues identified by the engagement team. Consultations include technical accounting and auditing questions regarding the application and interpretation of applicable standards and reporting issues or on any other matter pertaining to an audit engagement that requires specialized knowledge.

To facilitate the technical consultation process, Deloitte & Touche Bakr Abulkhair & Co. has a regional accounting and auditing consultation structure. Practitioners submit topics on which they require consultation to the Audit and Accounting Technical Committee which consists of industry partners/senior directors across the region with specialized skills and experience. In addition, a National Professional Practice Director with specialized technical skills and experience is supported by experts in areas such as regulatory filing requirements; technical auditing requirements; and complex accounting matters like off-balance-sheet transactions, derivatives, and consolidations.

The Firm maintains policies and procedures for the resolution of differences of opinion among partners/senior directors and others who are assigned to the engagement team, including those who are in a consultative capacity.

Monitoring

Quality Assurance Review

In accordance with DTTL policies, the audit practice of the Firm is subject to a quality assurance review, or “practice review” as it is commonly referred to, at intervals not to exceed three years. Compliance with this policy is achieved by a practice review covering the audit practice over a three-year cycle.

Normally, the performance of every audit partner is assessed during the three-year cycle, and at least one engagement for each member firm partner is selected to achieve this goal. Consideration is also given to assessing the performance of managers, particularly those managers who are candidate for partner nomination.

The Firm is responsible for the practice review. DTTL provides guidance and oversight regarding the practice review plans and procedures. The general coordination and administration of the practice review program is the responsibility of the Firm’s practice review director.

The practice review plan, process, and results are reviewed and approved by a partner/senior director from another member firm (the “concurring partner”) every year. The concurring partner/senior director who is assigned this responsibility works closely with the Firm’s practice review director in overseeing the planning and performance of the review.

Types of Engagements Reviewed

The engagement selected for review include national engagements and inbound/outbound transnational engagements (audits of financial statements that are or may be used across national borders), including public interest entities, as well as a number of high risk audit engagements. Some sensitive and complex engagements (e.g., first-year engagements, situations where there is a change in control or deteriorating financial condition) are also selected. All major industries served by the Firm are considered.

Scope of Practice Reviews

Reviewers are chosen from regional or international pools and from other practice offices within Deloitte & Touche (M.E.). The assignment of reviewers is based on skill level, industry knowledge, and experience on transnational engagements.

The reviews of individual engagements consist of discussions with the partner/senior director and principal or manager responsible for the engagement and a review of related reports, working papers, and, where appropriate, correspondence files.

Engagements are reviewed to:

- Determine whether quality control procedures have been properly applied to such engagements,
- Assess the adequacy of implementation of the audit approach, including compliance with the policies and procedures contained in the Firm's policy manuals,
- Monitor compliance with applicable local laws, and
- Assess the overall quality of service provided to clients.

The overall risk management and quality control policies and procedures of practice offices within our Firm are also reviewed, including the following:

- Risk management program, including engagement acceptance and continuance
- Independence
- Recruitment and advancement
- Professional development
- Public filings in other countries
- Information technology specialist reviews
- Assignment of professional staff to audit engagements
- Consultation with Firm experts
- Consultation with outside experts
- Engagement quality control reviews

Results of Practice Reviews

The findings and recommendations resulting from the practice reviews are presented in a practice review report and management letter to the Firm's managing partner and to Deloitte & Touche Bakr Abulkhair & Co. management. The purpose of the management letter is to provide suggestions for improvement in response to findings noted. The Firm addresses findings in the practice review report by drawing up a detailed action plan setting out the action to be taken, the person(s) responsible, and the timing to implement the recommendations contained in the practice review management letter, where applicable.

In addition, the Firm communicates to the relevant partner/senior director and other appropriate personnel deficiencies (if any) noted as a result of the practice review and recommendations for appropriate remedial action. Deloitte & Touche Bakr Abulkhair & Co. communicates the results of the practice review and ongoing consideration and evaluation of its system of quality control to its partners and other appropriate individuals.

Complaints and Allegations

The Firm's policies and procedures are designed to provide it with reasonable assurance that it deals appropriately with complaints and allegations that the work performed by the Firm failed to comply with professional standards, and regulatory and legal requirements, and allegations of noncompliance with the Firm's system of quality control. All complaints and allegations are dealt with confidentially, taken seriously and directly handled by our partners/senior directors responsible for Ethics, Human Resources, Independence, Reputation and Risk or Audit Quality as appropriate.

Statement on the Effectiveness of the Functioning of the Internal Quality Control System

The Firm is satisfied that its internal quality control system operates effectively and allows for prompt identification of any areas for potential improvement or refinement.

Public interest entities for which the Firm has carried out statutory audits during the preceding financial year

Deloitte & Touche Bakr Abulkhair & Co. has applicable clients for the purpose of this report. The Firm conducts the statutory audit of these clients either solo or jointly with another auditor. The applicable clients are:

Arab National Bank

Dar Al-Arkan Real Estate Development Company

Financial information

Deloitte & Touche Bakr Abulkhair & Co. is a privately held partnership providing public accounting and auditing services. Its fees earned in fiscal year ended 31 May, 2013 from the provision of statutory audit services constituted approximately 53% of its total revenues, with consulting services constituting approximately 18% and tax advisory and other non-audit services constituting the remainder.

Partner/Senior Director Remuneration

Deloitte & Touche Bakr Abulkhair & Co. operates a hybrid remuneration model which reflects in part the number of years of service of each partner but, through a performance component, also comprehensively evaluates each partner's contribution towards the achievement of strategic goals of Deloitte & Touche Bakr Abulkhair & Co.

The performance component of each partner's/senior director's remuneration reflects his or her level of contribution both at the practicing office level and at the partner/senior director performance level. It also reflects the quality and risk management qualities and capabilities of each partner/senior director and an independent assessment by the Board Chairman of Deloitte & Touche Bakr Abulkhair & Co.

Performance metrics at both the office and partner/senior director level reflect top and bottom line growth and the effective management of receivables and work in progress.

Performance metrics for risk management and the Chairman assessment are weighted to reflect a variety of activities undertaken by the partner/senior director, including professional training and support, implementation of HR standards, quality practices and risk management.

Partner/senior director performance remuneration is determined and approved by the Chairman of Deloitte & Touche Bakr Abulhair & Co.

All partners are equity partners and share in the profits of Deloitte & Touche Bakr Abulhair & Co



Deloitte & Touche Bakr Abulhair & Co.

Riyadh, Saudi Arabia

November 17, 2013

About Deloitte:

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Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries and territories, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte’s more than 200,000 professionals are committed to becoming the standard of excellence.

About Deloitte & Touche Bakr Abulkhair & Co.

Deloitte & Touche Bakr Abulkhair & Co, one of Saudi Arabia’s leading professional services firms, is a member firm of Deloitte Touche Tohmatsu Limited (DTTL). With uninterrupted presence in the Kingdom since 1950, it has offices in Riyadh, Jeddah and Al-Khobar and offers audit, tax, zakat, consulting, enterprise risk services and financial advisory services to leading Saudi public and private organizations and international companies.