

14 March 2023

Private & Confidential

The Partners'

Al Mushref Cooperative Society

Public Corporate

Abu Dhabi – United Arab Emirates

Dear Sirs,

Subject: Audit Engagement Letter

We appreciate your confidence in engaging us to audit the financial statements of your Company for the year ended 31 December 2023 while we gladly accept this assignment, we wish to give here below the general terms of this assignment in order to avoid any misunderstanding.

Audit of Financial Statements

You have requested that we audit the financial statements of your Company which comprise the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2023 then ended and notes to the financial statements, including a summary of significant accounting policies. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

The objectives of our audit are to obtain reasonable assurance about whether the 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 on the financial statements and their compliance with the requirements of the UAE Federal Law No. 6 of 2022 on cooperatives and the Company's Articles of Association. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (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, could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our Responsibilities

We will conduct our audit in accordance with ISAs indorsed in the United Arab Emirates (UAE). Those standards require that we comply with ethical requirements. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 the internal controls 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 Company's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.
- 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 doubt on the Company'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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because of the inherent limitations of an audit, together with the inherent limitations of internal controls, there is an unavoidable risk that some material misstatements may not be detected even though the audit is properly planned and performed in accordance with ISAs.

Management's Responsibilities

Our audit will be conducted on the basis that management and those charged with governance acknowledge and understand that they have responsibility for:

1. The preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted in the UAE and the Companies' regulations, Company's Article of Association and other relevant laws and regulations.
2. Such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.
3. Providing us with:
 - a. Unrestricted access to persons within the entity from whom we determine it is necessary to make inquiries;
 - b. Access to all information which management is aware that is relevant to the preparation of the financial statements such as records, minutes, documentation and other matters;
 - c. Additional information that we may request from management for the purpose of the audit.
4. Management is responsible for adjusting the financial statements to correct misstatements identified by us.
5. Management and those charged with governance are responsible for informing us of any actual or alleged material misstatements, whether due to fraud or error, that was brought to their attention. Management is also responsible for informing us of any knowledge they have of any actual or alleged contraventions of laws and regulations that may have an effect on the financial statements.



As part of the audit process, we will make inquiries of management about the representations contained in the financial statements and will request from management (and, where appropriate, those charged with governance) written confirmations concerning representations made to us in connection with the audit. We will also request from management specific representations concerning other matters during the course of our audit. If such representations are not provided in writing, management acknowledges and understands that we would be required to disclaim an audit opinion.

We look forward to full cooperation from your staff during our audit.

Communications

In performing our services, we will send messages and documents electronically or by other methods. Due to the inherent risk involved in electronic communications, despite taking necessary precautions by our firm, we cannot guarantee or warrant the security of the electronic communications and that it is free from virus infections despite our policy that requires verification of electronic correspondence and the use of virus protection software. Therefore, we specifically disclaim, and you release us from, any liability and responsibility whatsoever for interception or unintentional disclosure of communications transmitted by us in connection with the performance of this Engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from such communications. You also agree that during the course of our audit work, we will be using your internet connections to access electronic information in our own systems.

You also agree that it is the Company's responsibility to provide us with accurate contact information of the relevant persons within your Company and promptly inform us of any update on such information.

If you do not consent to our use of electronic communications, please notify us in writing.

Preparation of Schedules and Audit Requirements

We understand that your employees will prepare certain schedules and locate specified documents for our use before our Engagement is planned to commence.

The requested schedules and documents will be outlined in a list that will be sent to you.

In the course of our audit, we may also request from your management and employees to prepare additional schedule and analysis of certain accounts to facilitate the performance of our audit work.

Any failure to provide these working papers or documents on a timely basis may impede our services and require us to suspend our services or withdraw from the Engagement.

Working Papers

The working papers, files, other materials, reports and work created, developed and/or performed by us during this engagement will remain the property of our firm, constitute confidential information and will be retained by us in accordance with our firm's policies and procedures and also in accordance with the applicable laws of the United Arab Emirates.

During the course of our work, we may provide, for your own use, certain software, spreadsheets and other intellectual property to assist with the provision of our services. Such software, spreadsheets and other intellectual property must not be copied, distributed or used for any other purpose. We retain the copyright and all intellectual property rights in any original materials provided to you.

Accounting Advice

The audit Engagement does not contemplate the provision of specific accounting advice or opinions or the issuance of a written report on the application of accounting standards to specific transactions and to the facts and circumstance of the entity.



Reports

We will provide you with our audit report on the Company's financial statements for the year ended 31 December 2023 prepared in accordance with the financial reporting framework mentioned above and in Arabic or English. In addition, we will communicate to you our observations on your Company's internal controls that we consider appropriate and our recommendations thereon in light of the auditor's responsibilities referred to above.

In case that we receive requests to issue written reports to third parties or in accordance with agreement or regulatory requirements in connection with the audit engagement, we will agree with you on the terms of the service under separate engagement letter, to the extent allowed under the relevant code of ethics and rules or professional conduct.

Confidentiality

One of the underlying principles of the profession is a duty of confidentiality with respect to client affairs. Each professional accountant must preserve the secrecy of all confidential information that becomes known during the practice of the profession. Accordingly, we will not provide any third party with confidential information concerning the affairs of the Company unless:

- We have been specifically authorized with prior consent;
- We have been ordered or expressly authorized by law or by the Code of Professional Conduct; or
- The information requested is (or enters into) public domain.

Governing Legislation

This engagement letter is subject to and governed by the laws of the UAE. The UAE will have exclusive jurisdiction in relation to any claim, dispute or difference concerning this engagement letter and any matter arising from it. Each party irrevocably waives any right it may have to object to any action being brought in those courts to claim that the action has been brought in an inappropriate forum or to claim that those courts do not have jurisdiction.

Force Majeure

Both parties shall not be liable for violations of their obligations under this engagement letter if it is caused by unforeseeable circumstances or circumstance independent of the activities of the parties (force majeure). The parties consider force majeure shall be any event or circumstance independent of the will or out of control of the parties as provided under the general rules in the United Arab Emirates.

Time Frame

Our report on draft audited financial statements is normally issued after 30 days from the date we receive duly signed and stamped unaudited financial statements, trial balance and all related schedules and other information required to complete our audit. Therefore, should you have any specific deadline date for receiving the final audited financial statements you are advised to keep the above audit field work time frame in consideration and inform us of such deadline and the date you wish us to start the audit. We will provide you with a list of audit requirements, including schedules and statements that should be prepared by you in order to complete the audit within the required time frame.

We will use all reasonable efforts to complete the engagement as prescribed in this letter within the agreed time frame. However, we shall not be liable for failures or delays in performance that arise from causes beyond our control, including the untimely performance by the Company of its obligations.



Form and Content of Audit Report

The form and content of our audit report will be in compliance with the ISAs as approved in the UAE. The form and content of our audit report may be amended in light of our audit findings.

If we conclude that a modification to our opinion on the financial statements is necessary, we will discuss the reasons with you in advance.

Indemnity

The Company hereby agrees to indemnify, defend (by counsel retained and instructed by us) and hold harmless our firm and its partners, directors and employees from and against any and all losses, costs of any type arising out of (or in consequence of):

- a. The breach by your Company or your directors, officers, agents or employees, of any of the covenants or obligations of your Company herein, including, without restricting the generality of the foregoing, the misuse of, or the unauthorized dissemination of, our engagement report or the financial statements in reference to which the engagement report is issued, or any other work product made available to you by our firm.
- b. A misrepresentation by a member of your management or board of directors.

Reproduction of Auditor's Report

If reproduction or publication of our audit report (or reference to our audit report) is planned in an annual report or other document, including electronic filings or posting of the report on a website, a copy of the entire document should be submitted to us in sufficient time for our review before the publication or posting process begins.

Should some of the information in the annual report not be available until after the date of the auditor's report, we will request management to provide a written representation that the final version of the document(s) will be provided to us when available (and prior to its issuance) so we can complete our required procedures.

Management is responsible for the accurate reproduction of the financial statements, the auditor's report and other related information contained in an annual report or other public document (electronic or paper based). This includes any incorporation by reference to either full or summarized financial statements that we have audited. We are not required to read the information contained in your website or to consider the consistency of other information on the electronic site with the original document.

Approval of Draft Financial Statements for Issuance and Resolving Pending Matters

We expect the draft financial statements to be approved for issuance by those who are authorized for such approval in your Company and to resolve all outstanding matters, within a maximum period of 30 days from providing you with the draft financial statements and our letter on pending matters.

In case the financial statements were not approved and pending matters were not resolved within the period mentioned above, any resulting additional audit work performed by us after that date and up to a maximum period of 90 days from that date of delivering the draft financial statements to you, will be charged based on the number of additional hours spent by members of our audit staff based on their respective charge out rates. Should the period of 90 days mentioned above lapse without your approval of the financial statements for issuance and resolving all pending matters, the engagement will be considered as concluded and we will not be responsible for performing any additional work and you shall be solely responsible for any direct or indirect consequences of your delay. We reserve our right for collecting any outstanding fees.



Continuation of Engagement

This engagement is automatically renewable for future periods unless either party provides written notice to the other party for terminating the agreement.

This engagement letter includes the relevant terms that will govern the engagement for which it has been prepared. The terms of this letter supersede any prior oral or written arrangements between the parties. Any material changes or additions to the terms set forth in this letter will only become effective if evidenced by a written amendment to this letter signed by both parties.

Professional Fees

We estimate that our fees for the audit of the financial statements of your Company for the year ended 31 December 2023 will be as follows:

	<u>Amount</u> <u>(AED)</u>
Auditing the financial statement for the year Ended 31 December 2023	22,000
VAT (5%)	<u>1,100</u>
Grand Total	<u>23,100</u>

Dirhams Twenty Three Thousand One Hundred Only (AED 23,100).

Our Client:

Al Ain Co-operative Society
Delma Co-operative Society
Khalidiya Co-operative Society
Al Dhafra Co-operative Society
Baniyas Co-operative Society

Our Proposed staff:

Firas Kilani	Executive Director
Salah Al Arcid	Professional Services Manager
Hassan Moura	Auditor Manager
Mothna Shawawreh	Senior Auditor

Deliverables

- ✓ Audited financial statements in Arabic.
- ✓ Prepare and certify financial statements
- ✓ Management letter
- ✓ Annual audit within 90 days from the end of the year.

We will charge you with any direct expenses paid on your behalf in addition to any other fees resulting from additional work requested outside the scope of our assignment as detailed above.

It is the policy of our firm to collect 50% of the fees in advance upon signing this engagement letter. The remaining balance shall be payable upon the issuance of our report on the draft financial statements.

Our audit fee is based on total estimated hours to complete the engagement which is affected, among other things, by our preliminary review of the Company's records and the nature of its operations and the representations your employees have made to us and the level of assistance provided to us from them, in addition to the composition of the audit team required to perform this engagement.



Should other matters beyond our control arise or the conditions of your records or the degree of cooperation from your staff or the result of our audit procedures require us to perform significant additional work beyond our original estimates, we shall discuss the reasons with you and agree on a revised fee estimate and revised completion dates.

Costs of Responding to Government or Legal Processes

In the event we are required to respond to a subpoena, court order, government agency and other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this Engagement, you agree to compensate us at our normal hourly rates for the time we expend in connection with such response and to reimburse us for all of our out-of-pocket costs (including applicable VAT) incurred.

Termination

The management of your Company acknowledges and understands that failure to fulfill its obligations as set out in this engagement letter will result, upon written notice, in termination of the engagement.

Either party may terminate this agreement for any reason upon providing written notice to the other party (not less than 30 calendar days before the effective date of termination). If early termination takes place, your Company shall be responsible for all the time and expenses incurred by us up to the termination date.

If we are unable to complete the audit or are unable to form, or have not formed an opinion on the financial statements, we may withdraw from the audit before issuing an auditor's report, or we may disclaim an opinion on the financial statements. If this occurs, we will communicate the reasons and provide details.

If you have any questions about the contents of this letter, please feel free to raise them with us. If the services outlined are in accordance with your requirements, and if the above terms are acceptable to you, please sign the copy of this letter in the space provided and return it to us.

We appreciate the opportunity of continuing to be of service to your Company.

Talal Abu Ghazaleh & Co. International

**On behalf of
(Al Mushref Cooperative Society)**



Name :

Title :

Firas Kilani
Executive Director
Licensed Auditor No. 632

Signature :

Date :

