
Coast Investment and Development Co. (K.S.C.P.)
Investment Department
Internal Audit Report - Final

October 2025

تمت الموافقة في اجتماع مجلس الإدارة
الإجازة لعام ٢٠٢٥ بتاريخ ١١/٢/٢٠٢٥

EXECUTIVE SUMMARY

Background

As part of the internal audit services provided to Coast Investment and Development Co. (K.S.C.P.), hereinafter referred to as “Coast” or “the Company,” RSM Albazie Consulting W.L.L. (RSM) performed an internal audit review during August and September 2025 over the Investment Department covering the scope period from 1st July 2024 to 30th June 2025.

This report was prepared for use by the Board of Directors, Audit Committee and senior management. Recommendations for improvement are presented for senior management's consideration, and management is responsible for the effective implementation of corrective action plans.

Objective of internal audit review

The objective of this review was to obtain an understanding of and evaluating the Control Environment at Coast pertaining to Asset Management Department processes, to ensure the adequacy and effectiveness of the key internal controls affecting the department's processes and identify opportunities for control and process improvements.

The following areas were included in the scope:

- Reviewing investment policies and procedures.
- Ensuring compliance with governing regulations.
- Ensuring existence of asset allocation models for investment.
- Verifying establishment of limit policies to control investment operations.
- Safekeeping and control of certificates of securities.
- Ensuring reports are being prepared to monitor the performance of investments under management.
- Ensuring adequate analysis and due diligence to new investment opportunities.
- Evaluating the preparation of an investment recommendation.
- Monitoring of existing investments.
- Ensuring timely recording of dividends, capital returns, and capital calls.
- Examining the availability of exit strategies for current investments.

Scope and Limitations of Our Work

The formation of our observations is achieved through a risk-based plan of work, agreed with senior management and approved by the Audit Committee. Our work is subject to inherent limitations, as detailed below:

- The internal audit has not reviewed all risks and assurances relating to the organization.
- The work is based on the findings and conclusions from the work undertaken, the scope of which has been agreed with management.
- Where strong levels of control have been identified, there are still instances where these may not always be effective. This may be due to human error, incorrect management judgement, management override, controls being by-passed or a reduction in compliance.

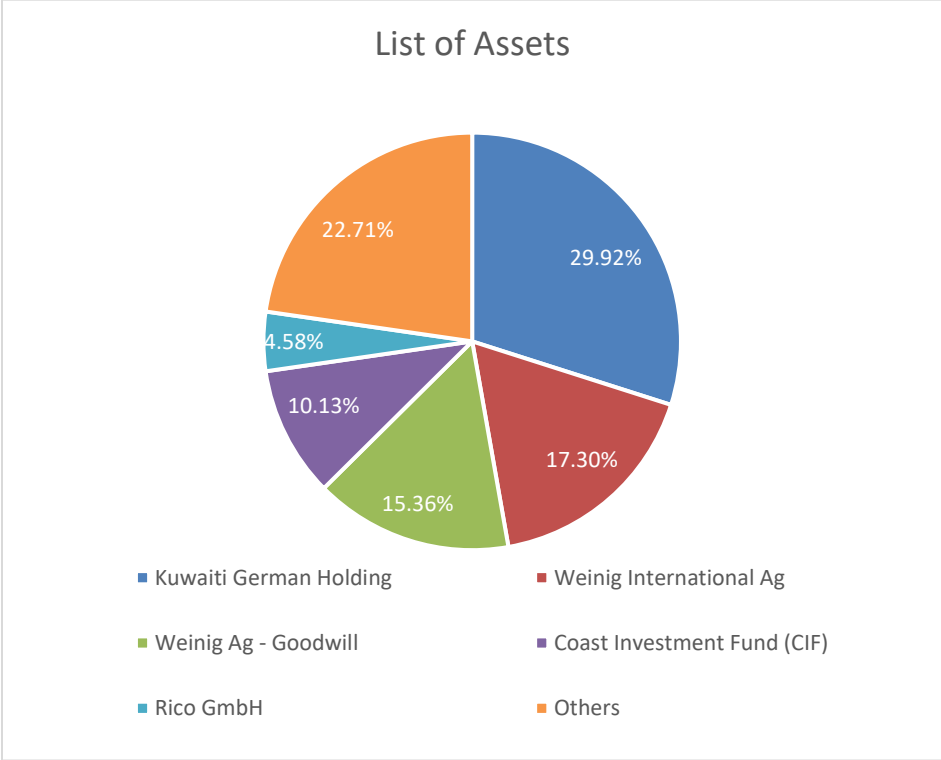
The factors considered which might influence our conclusions are:

- Inherent risk in the area being audited.
- Limitations in the individual audit assignments.
- The adequacy and effectiveness of the risk management and governance control framework.
- The impact of weakness identified.
- The level of risk exposure; and
- The response to management actions raised and timeliness of actions taken.

Statistics

No new investments or divestments/exits were made during the audit period.

The following chart depicts the asset allocation of the company as of June 2025:



DEPARTMENT OVERVIEW

Size of the Team

The department is headed by Assistant Vice President – Direct investment reporting to Senior Vice President - Asset Management & Operations.

Main Responsibilities and Activities of the Department

The Department is responsible for the following activities but not limited to:

- Identify, evaluate, and execute investment opportunities across direct investments, private equity funds, and real estate.
- Conduct comprehensive due diligence (financial, legal, and operational) on all potential investments.
- Ensure investment decisions align with the company's strategy, asset allocation model, and risk appetite.
- Perform periodic evaluations (quarterly or as required) of all existing investments.
- Track fund performance and ensure adherence to investment holding periods and return expectations.
- Prepare reconciliation of deals executed with deal allocation statements.
- Recommend corrective or exit actions for underperforming investments.
- Report portfolio performance and key investment updates to senior management and the Board.

Overall Summary/Highlights

Testing resulted in the identification of **no observations** in the current year. Based on this, an overall report rating of '**Satisfactory**' was assigned to help management understand our assessment of the overall design and operating effectiveness of the company.

The observations, recommendations, and Coast's management responses to address each are described in the Detailed Observation section of this report.

A summary of the Observations noted during the review is noted in the table below:

Overall Rating (See Appendices A&B for definitions)				
	Report Rating	Number of Observations by Risk Rating		
		High	Moderate	Low
Current Audit	Satisfactory	-	-	-
Prior Audit	Marginal	-	2	2

EXECUTIVE SUMMARY

IMPROVEMENT OPPORTUNITIES

1. Absence of Stop Loss Limits

COSO Framework Components: Risk Assessment and Control Activities

As the current portfolio under Direct Investments comprises primarily strategic investments and other investments which the Company is trying to liquidate, stop-loss limits are not presently applied. Moreover, the investment policy does not define requirements or procedures for establishing and monitoring such limits should new direct investments be undertaken in the future.

Recommendation

Implement a stop-loss limit policy for direct investments as part of the investment governance framework to ensure timely action on underperforming investments going forward. Also, align the limits with the company's overall risk appetite and portfolio management strategy.

EXECUTIVE SUMMARY (CONTINUED)

Status of Prior Audit Observations

The following is a status report on observations noted in our previous internal audit report(s). The reported status notes the progress made toward the plan completion and as reported to the internal audit. Through interviews with management and staff, internal control testing and our current observations, the accuracy of the reported progress was verified and is reported as “**Complete**,” “**In-Process**” or “**Open**.” Any in-process or open items from the prior review are cross-referenced below to the audit observations noted during this review.

#	Prior Audit Observation	Rating	Status	Previous Management Response	Follow up results	Current Management Response
1.	Exit Strategy Coast is actively trying to exit its investments in the German associates such as Rico, Weinig, and Kuwait German Holding Company. However, the Department lacks a documented exit strategy and target exit date	Moderate	Complete	Rico, Weinig, and KGH are strategic investments whose exit is set by the BOD. Sales process is outsourced, and majority agreement is required. Nonetheless will provide a general plan. Target Date: Q4 2024	We reviewed the department policy and the 2025-2029 approved strategy documenting the plan to exit from existing associates.	A new elective exit policy was added to the Investment Dept. Policies & Procedures. However, providing a specific target date is not feasible at this stage, as the exit will depend on suitable market opportunities and alignment with the Board's directives. Nonetheless, the company is actively monitoring potential opportunities and remains committed to executing the exit strategy when conditions are favorable.
2.	Job Descriptions As per the organizational structure approved on 09/12/2021, The Investment Group was dissolved in 2021. The job description for the vacant VP - Investment Department position, which was approved in 2017, does not match with the current organization structure. It refers to the role as VP - Investment Group.	Moderate	Complete	We will make the changes in the job description. Target Date: Q3 2024	The job description has been updated and signed by the AVP.	

#	Prior Audit Observation	Rating	Status	Previous Management Response	Follow up results	Current Management Response
3.	<p>Quarterly Investment Reports</p> <p>The investment report for Q4 2023 was submitted on April 2, 2024, indicating a delay of one month from the expected submission date.</p> <p>The investment reports for Q4 2023 and Q1 2024 were submitted to the management by the Risk Management Officer instead of the AVP – Investment Department.</p>	Low	Complete	<p>Will amend policy for first point. Will amend process for second point.</p> <p>Target Date: Q4 2024</p>	The policies and procedures have been updated and approved.	NA
4.	<p>Investment Policy for Potential Investments</p> <p>The investment policy should outline the guidelines for making informed and consistent choices when evaluating potential investment opportunities. It should define the criteria that potential investments must meet to be considered.</p> <p>We reviewed the opportunity log and understood that the opportunities were declined as per company policy. However, there is no documentation of the company policy or defined targets that are communicated by the Board.</p>	Low	In-Process	<p>We will communicate this observation to upper management for their action.</p> <p>Target Date: Q1 2024</p>	NA	<p>Still under consideration by upper management.</p> <p>Target Date: To be decided by upper management (In Discussion)</p>

APPENDIX A – RATING DEFINITIONS

Observation Risk Rating Definitions		Effort Rating Definitions		
Rating	Definition	Rating	Impact	Effort
Low	Process improvements exist but are not an immediate priority for the Company. Taking advantage of these opportunities would be considered best practice for the Company.	Low	The recommended change, if implemented, would: <ul style="list-style-type: none"> Impact only one location Improve efficiency 	Level of effort to address improvement opportunity meets the following criteria: <ul style="list-style-type: none"> Completion in < 3 months Requires change to no more than two manual processes Only local/department resources needed
Moderate	Process improvement opportunities exist to help the Company meet or improve its goals, meet or improve its internal control structure and further protect its brand or public perception. This opportunity should be considered in the near term.	Moderate	Opportunity meets the criteria for “Low” impact, and additionally meets one or more of the following criteria: <ul style="list-style-type: none"> Change affects a business segment Generates cost reduction Enhances availability of data used to make business decisions 	Level of effort to address improvement opportunity meets the below criteria: <ul style="list-style-type: none"> Completion in 3 to 12 months Requires modification to current system application set up Cross-functional resources
High	Significant process improvement opportunities exist to help the Company meet or improve its goals, meet or improve its internal control structure and further protect its brand or public perception presents. This opportunity should be addressed immediately.	High	Improvement opportunity meets the criteria for “Low” and “Moderate” impact, and additionally meets one or more of the following criteria: <ul style="list-style-type: none"> Change affects the entire organization Cost reduction <u>and</u> improved efficiency Improves operating effectiveness of upstream/downstream processes, including those involving third parties 	Level of effort to address improvement opportunity meets the below criteria: <ul style="list-style-type: none"> Completion requires more than 12 months Requires new system or module or significant programming change to existing system Entity-wide resources

APPENDIX B – REPORT RATING DEFINITIONS

Report Rating Definitions	
Rating	Explanation
Satisfactory	Adequate internal controls are in place and operating effectively. Few, if any, improvements in the internal control structure are required. Observation should be limited to only low-risk observations identified or moderate observations that are not pervasive in nature.
Marginal	<p>Certain internal controls are either:</p> <ul style="list-style-type: none"> Not in place or are not operating effectively, which in the aggregate represents a significant lack of control in one or more of the areas within the scope of the review. Several moderate control weaknesses in one process, or a combination of high and moderate weaknesses that collectively are not pervasive.
Unsatisfactory	<p>Fundamental internal controls are not in place or operating effectively for substantial areas within the scope of the review. Systemic business risks exist that have the potential to create situations that could significantly impact the control environment.</p> <ul style="list-style-type: none"> Significant/several control weaknesses (breakdown) in the overall control environment in part of the business or the process being reviewed. Significant non-compliance with laws and regulations. High observations that are pervasive in nature.
Not Rated	Opportunity to improve efficiency or profitability of operations but does not indicate an internal control weakness or a material inefficiency.

APPENDIX C – COSO PRINCIPLES

The COSO Framework sets out the following 17 principles (summarized):

Control Environment	<ul style="list-style-type: none">• Demonstrates commitment to integrity and ethical values• Exercises oversight responsibilities• Establishes structure, authority and responsibility• Demonstrates commitment to competence• Enforces accountability
Risk Assessment	<ul style="list-style-type: none">• Specifies suitable objectives• Identifies and analyzes risk• Assesses fraud risk• Identifies and analyzes significant change
Control Activities	<ul style="list-style-type: none">• Selects and develops control activities• Selects and develops general controls over technology• Deploys through policies and procedures
Information & Communication	<ul style="list-style-type: none">• Uses relevant information• Communicates internally• Communicates externally
Monitoring	<ul style="list-style-type: none">• Conducts ongoing and/or separate evaluations• Evaluates and communicates deficiencies

APPENDIX D – FOLLOW UP

For each observation noted previously in this report, a responsible person and target date was identified as a means to assign responsibility for the agreed-upon resolution. It is the management's responsibility to verify that action plans are carried out and observations are adequately addressed.

Report Distribution List

Name	Title
Mr. Abdul Wahab Mohammad Ali Al Wazzan	Chairman - Audit Committee
Mr. Ayad Al Sumait	Audit Committee Member
Mr. Osama Al Ayoub	Audit Committee Member
Mr. Asaad Ahmad A. Al-Banwan	Chief Executive Officer
Ms. Geethu Jacob	Internal Audit Officer
Mr. Omar Zaghloul	AVP – Investment Department
Mr. Fares Halal Madi	SVP – Compliance and Legal Affairs Group

We appreciate the cooperation and assistance from all involved with this review.



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