



General Assembly meeting
Zahrat Al Waha for Trading
Saudi public joint stock company

Item No. 2

INDEPENDENT AUDITOR'S REPORT

**To The Shareholders of Zahrat Al Waha For Trading Company
(A Saudi Joint Stock Company)
Riyadh - Kingdom of Saudi Arabia**

Opinion

We have audited the financial statements of **Zahrat Al Waha for Trading Company (A Saudi Joint Stock Company)** ("the Company"), which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements endorsed by the Sa Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the requirements of International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report on the audit of the financial statements of Zahrat Al Waha For Trading Company for the year ended 31 December 2023 (continued)

Key Audit Matters (continued)

<u>Key Audit Matters</u>	<u>How our audit addressed the key audit matter</u>
<p><u>Sales Revenue Recognition</u></p> <p>During the year ended 31 December 2023, revenue from sales of SR 572,5 million was recognized.</p> <p>Revenue from sales is recognized when a customer obtains control of the goods and this is done when the goods are accepted and delivered to the customer and the sales invoice is issued in accordance with the requirements of International Financial Reporting Standard No. (15) Revenue from Customer Contracts.</p> <p>The recognition of revenue from sales was considered as one of the key audit matters, given that revenue from sales is one of the key performance indicators that include inherent risks of overstating revenue from sales.</p> <p>Please refer to the significant accounting policies contained in Note No. (5-17) to view the policy related to revenue recognition, Note No. (29-2) regarding the segment report, explaining a breakdown of the revenues.</p>	<p>Our audit procedures relating to recognition of revenue from sales included, among others, the following:</p> <ul style="list-style-type: none"> - Assessed the appropriateness of the Company's accounting policies relating to revenue recognition from sales, including those relating to discounts, as well as the extent of compliance with the requirements of IFRS 15 "revenue from contracts with customers"; - Evaluated design and implementation of internal control procedures related to revenue recognition; - Conducted analytical review procedures based on available information and compared it to the previous year, determining if there were any significant trends or changes that required additional audit procedures; - Tested samples of revenue from sales transactions during the year and assessed the appropriateness of management's estimates of performance obligations. - Performed Cut-off procedures on the timing of revenue recognition from sales after the products were delivered to the customers and recognized during the correct accounting period; - Inquired from management at various levels to assess their knowledge of the risk of fraud and to determine if actual cases of fraud were observed when recognizing revenue from sales; - Evaluating the appropriateness of the disclosures included in the attached financial statements.

Independent auditor's report on the audit of the financial statements of Zahrat Al Waha For Trading Company for the year ended 31 December 2023 (continued)

Key Audit Matters (continued)

<u>Expected credit losses in the balance of trade receivables</u>	
<p>As at 31 December 2023, the total trade receivables balance amounted to SR 202,6 million, and the balance of expected credit losses amounted to SR 27.5 million.</p> <p>The Company's management applied a simplified expected credit loss model to determine expected credit losses in trade receivable balance in accordance with the requirements of International Financial Reporting Standard No. (9) Financial Instruments.</p> <p>Given that the expected credit loss model is based on significant estimates and assumptions, we considered the calculation of the expected credit losses in trade receivable balances in light of IFRS 9 requirements as one of the key audit matters.</p> <p>Please refer to Note No. (4-2) regarding accounting estimates, (5-4-3) regarding the accounting policy related to measuring expected credit losses, Note No. (12) regarding trade receivables, Note No. (27-2-1) regarding credit risks.</p>	<p>Our audit procedures relating to expected credit losses on trade receivable balances included, among others, the following:</p> <ul style="list-style-type: none"> - Assessed the appropriateness of accounting policies related to credit losses in trade receivable balances and assessed the compliance with the requirements of applicable accounting standards; - Obtained an understanding of the procedure for determining credit losses in trade receivables; - Assessed the validity and classification of trade receivables in the aging of trade receivables report by matching a sample of trade receivables aging items with invoices and supporting documents; - Assessed the underlying assumptions and estimates used by management, including those related to future economic events used in calculating the probability of default and expected loss given default and testing the mathematical accuracy of the expected credit loss model; - Assessed the adequacy of the financial statements' disclosures.

Other information

Other information consists of the information included in the Company's 2023 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report.

Our opinion on the financial statements does not cover other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements, in accordance with IFRS Accounting Standards that are endorsed in the kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations for Companies and the Company's By-laws, and for such internal control as the management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but not to do so.

Those Charged with Governance, the Board of Directors, are responsible for overseeing the Company's financial reporting process.



Independent auditor's report on the audit of the financial statements of Zahrat Al Waha For Trading Company for the year ended 31 December 2023 (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, 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 internal control 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the 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 significant 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 the audit evidence obtained up to the date of our auditor's 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
Registration No. 362



Date: 23 Sha'ban 1445 (H)
Corresponding to: 4 March 2024 (G)