



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

Report on the Audit of the Financial Statements

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 2022, 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 the notes to the financial statements, including summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing 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 professional code of conduct and ethics, that are endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the Company's financial statements, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The Company's financial statements for the year ended 31 December 2021 were audited by another auditor, who expressed an unmodified opinion on those financial statements in his report dated 30 Rajab 1443 H corresponding to 3 March 2022.

Independent Auditors' Report for the audit of Zahrat Al Waha for Trading Company's financial statements for the year ended 31, December 2022 (continued)

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 year. 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.

Key audit matter (1)	How the matter was addressed during our audit
<p>Revenue Recognition</p> <p>During the year ended 31 December 2022, revenue from sales of SR 624.7 million was recognized.</p> <p>Revenue from sales is recognized when the 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 Contracts with Customers.</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>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 applicable accounting standards; - 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. - Evaluate the adequacy of the financial statements' disclosures.
<p>For more details, refer to notes No. (5-17) regarding the accounting policy, (29-2) and (29-3) regarding the segment report, explaining the revenues in details.</p>	

Independent Auditors' Report for the audit of Zahrat Al Waha for Trading Company's financial statements for the year ended 31, December 2022 (continued)

Key audit matters (continued)

Key audit matter (2)	How the matter was addressed during our audit
<p>Expected credit losses in the balance of trade receivables</p> <p>As at 31 December 2022, the net trade receivables balance amounted to SR 195.7 million, and the balance of expected credit losses amounted to SR 27.49 million.</p> <p>The Company's management applied a simplified expected credit loss model to determine the impairment of the trade receivable 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 have considered the application of International Financial Reporting Standard No. 9 and calculating the impairment in trade receivables balances as one of the key audit matters.</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 ageing of trade receivables report by matching a sample of trade receivables ageing 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.
<p>For more details, refer to notes No. (4-2) regarding accounting estimates, (5-4-3) regarding accounting policy, (12) regarding trade receivables, (27-2-1) regarding the credit quality of financial assets.</p>	

Other information

Other information consists of the information included in the Company's 2022 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information included 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.

Independent Auditors' Report for the audit of Zahrat Al Waha for Trading Company's financial statements for the year ended 31, December 2022 (continued)

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 International Financial Reporting Standards ("IFRSs") that are endorsed in the kingdom of Saudi Arabia, and other standards and pronouncements endorsed by SOCPA and Regulations for Companies and the Company's Article of Association, 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 intend to liquidate the Company or to cease operations, or has no realistic alternative but not to do so.

Those Charged with Governance, in particular the Audit Committee, are responsible for overseeing the Company's financial reporting process.

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 International Standards on Auditing 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 International Standards on Auditing 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 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 company's financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditors' Report for the audit of Zahrat Al Waha for Trading Company's financial statements for the year ended 31, December 2022 (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with those charged with governance, 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, related safeguards.

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: 14 Shaaban 1444H
Corresponding to: 6 March 2023