



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)

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 2024, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional 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 the International Code of Ethics for Professional Accountants 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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	How our audit addressed the key audit matter
Sales Revenue Recognition Revenue for the year ended 31 December 2024 amounted to SAR 544,688,020 (2023: SAR 572,490,017). Revenue recognition is a significant audit area due to its complexity, potential for manipulation, and impact on financial statements. The risk primarily arises from the possibility of inappropriate revenue recognition, including premature revenue recognition, fictitious sales, or incorrect application of accounting standards. As per International Standards on Auditing (ISA) 240 and ISA 315, revenue recognition is often considered a fraud risk area requiring heightened auditor scrutiny. Refer to note 5-15 to the financial statements for the accounting policy, note 28-2 for the disclosure of revenue.	Our audit procedures performed included, among other, the following: <ul style="list-style-type: none"> - Assessed the appropriateness of the Company's accounting policies for revenue recognition in line with the requirements of IFRS 15 "Revenue from contracts with customers"; - Assessed the design and implementation, of the Company's controls over the recognition of revenue - Evaluated key contractual and returns arrangements by considering relevant documentation and agreements with the customers; - Selected sample of sales transactions throughout the year and inspected the supporting documents to assess they were recognized correctly.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of
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Key Audit Matters (continued)

Key Audit Matters (continued)	How our audit addressed the key audit matter
Sales Revenue Recognition (continued)	
	<ul style="list-style-type: none"> - Inspected sample of sales transactions taking place before and after the year-end to assess whether revenue was recognized in the correct accounting period; and - Assessed the accuracy, completeness, and validity of revenue-related journal entries (JEs) in accordance with applicable accounting standards and to identify potential risks of misstatement or fraud. - Assessed the adequacy of the relevant disclosures in accordance with the requirements of relevant accounting standard.
Impairment of trade receivables	
<p>As at 31 December 2024, the total trade receivables balance amounted to SAR 194,950,437 (2023: SAR 202,556,816), and the balance of expected credit losses amounted to SAR 30,874,013 (2023: SAR 27,527,809).</p> <p>The Company is required to regularly assess the recoverability of its trade receivables. The recoverability of trade receivables was significant to our audit due to the value of trade receivables balance and certain customers aged greater than the credit terms.</p> <p>Assessment of expected credit losses is highly subjective due to the significant judgement, estimates, and assumptions applied by the management in determining the expected losses. The management is required to determine an expected loss rate against the outstanding trade receivables based on the Company's historical credit loss experience adjusted with forward-looking information.</p> <p>We considered this as a key audit matter given the judgements and assumptions regarding the ECL impairment against trade receivables and the potential impact on the Company's financial statements.</p> <p>Refer to note 4-1 to the financial statements for the accounting estimate, note 5-5-1-5 for accounting policy, note 12 for the disclosure of trade receivables and Note 26-2 for credit risks of trade receivables.</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 reasonableness of management's ECL model by reviewing key assumptions, including historical default rates and forward-looking economic indicators. - Reviewed subsequent collections to evaluate the recoverability of outstanding receivables - Assessed the design and implementation of controls over the credit risk assessment and impairment estimation process. - Evaluated the effectiveness of monitoring controls over trade receivables aging and collection processes. - Reviewed the aging analysis of trade receivables to identify overdue balances and assess the reasonableness of impairment provision. - Engaged our specialists to review the approach used in the expected credit loss model, to assess its suitability for the Company's activity. - Evaluated the appropriateness of the Company's criteria and judgements for the determination of individually impaired receivable. - Validating, on sample basis, the completeness, accuracy and relevance of data included within the impairment of trade receivables calculation by inspecting the relevant supporting documents. - Assessed the reasonableness and adequacy of disclosures in the financial statements as required by IFRS 9 ("Financial instruments") and IFRS 7 ("Financial instruments: Disclosures").

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

**To the Shareholders of
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Other matter

The financial statements of the Company for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on 23 Shaban 1445 (H) corresponding to (04 March 2024).

Other Information

Other information consists of the information included in the Company's 2024 annual report, other than the financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditors' report. Management is responsible for the other information in its annual report.

Our opinion on the financial statements does not cover the 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 when it becomes available 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 International Financial Reporting 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 Bylaws and for such internal control as management determines 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, 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 judgement and maintain professional skepticism throughout the audit. We also:

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

**To the Shareholders of
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Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 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 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 financial statements, including the disclosures, and whether the 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.

RSM Allied Accountants Professional Services



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19 Ramadan 1446H (corresponding to 19 March 2025)

