

ZAHRA AL WAHA FOR TRADING COMPANY
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2020
together with the
Independent Auditor's Report



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Independent Auditor's Report

To the Shareholders of Zahra Al Waha For Trading Company

A Saudi Joint Stock Company

Opinion

We have audited the financial statements of **Zahra Al Waha For Trading Company** ("the Company"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard (IFRS) that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued 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 the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other 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 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.



Independent auditor's report (continued)

To the Shareholders of Zahra Al Waha For Trading Company

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Key Audit Matter (1)

Refer to note (6-17) for the accounting policies related to revenue recognition.

Revenue recognition	How the matter was addressed in our audit
<p>During the year ended 31 December 2020, revenue from sales of SR 424.9 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's site and the sales invoice is issued in accordance with the requirements of IFRS 15 'Revenue from Contracts with Customers'.</p> <p>The recognition of revenue from sales was considered as one of the key audit matters since revenue from sales is one of the key performance measurement indicators that includes inherent risk 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 and incentives, and assessed the compliance with the applicable accounting standards;• Assessed the design, implementation, and effectiveness of the operation of the Company's internal controls on the revenue recognition from sales;• Conducted analytical review procedures by analyzing revenue trends from sales for the current year according to available information and comparing them with the previous year and determining whether there are any significant trends or fluctuations that need additional assessment;• Tested a sample of revenue from sales transactions during the year and assessed the appropriateness of management's estimates of performance obligations, if any;• 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 the 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 adequacy of the financial statements disclosures.



Independent auditor's report (continued)

To the Shareholders of Zahra Al Waha For Trading Company

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Key Audit Matter (2)

Refer to Note (6.4.2) and Note (12) relating to trade receivables.

Impairment of trade receivables	How the matter was addressed in our audit
<p>As at 31 December 2020, the trade receivables amounted to SR 167.1 million.</p> <p>The management of the Company has applied a simplified expected credit loss model to determine the impairment of the trade receivables in accordance with the requirements of IFRS 9 'Financial Instruments'.</p> <p>The expected credit loss model includes the use of historical trends and data for trade receivables, as well as the use of significant future assumptions relating to the Company and the economy in general and in light of the existence of the Covid-19 pandemic.</p> <p>Given that the expected credit loss model is based on substantial estimates and assumptions, we considered that applying the IFRS 9 and calculating the impairment of trade receivables as a key audit matter.</p>	<p>Our audit procedures relating to the impairment of trade receivables included, among others, the following:</p> <ul style="list-style-type: none">• Assessed the appropriateness of accounting policies for impairment of trade receivables balances; and assessed the compliance with the applicable accounting standards;• Obtained an understanding of the procedure for determining the impairment of trade receivables, assessing the design, implementation and testing the operating effectiveness of management's internal controls in relation to credit sales, debt collection and estimation of impairment;• Assessed the validity and classification of trade receivables in the ageing report by matching a sample of trade receivables ageing items with supporting documents and invoices;• Assessed the underlying assumptions and estimates used by management, including those related to future economic events used to calculate the probability of default and the expected loss on default and tested the mathematical accuracy of the expected credit loss model;• Engaged our specialists to review the approach used in the expected credit loss model, to assess its suitability for the Company's activity.• Obtained reconciliations for a selected sample of trade receivables as at 31 December 2020 and took alternative procedures in the absence of a response from customers, which included examining documents supporting the balance as well as collections for the subsequent period after the date of the financial statements.• Evaluating the adequacy of the financial statements disclosures.



Independent auditor's report (continued)

To the Shareholders of Zahra Al Waha For Trading Company

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Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

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 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 that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA, the applicable requirements of the Regulations for Companies and the Company's By-laws 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 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:

- 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.

