PAN GULF MARKETING COMPANY
(A Listed Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023
AND INDEPENDENT AUDITOR'S REPORT

PAN GULF MARKETING COMPANY
(A Listed Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023

PKF
Ibrahim Ahmed Al-Bassam
& Co. Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF PAN GULF MARKETIN COMPANY
[A LISTED SAUDI JOINT STOCK COMPANY]
RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Pan Gulf Marketing Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) 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).

We have audited the financial statements of the Company, which comprise of the following:

- The consolidated statement of financial position as at 31 December 2023;
- The consolidated statement of profit or loss and other comprehensive income for the year then ended;
- The consolidated statement of changes in equity for the year then ended;
- The consolidated statement of cash flows for the year then ended, and;
- The notes to the consolidated financial statements, comprising material accounting policies and other explanatory information.

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 described in detail in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent from the Group in accordance with the professional code of conduct and ethics approved in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have also fulfilled our ethical responsibilities in accordance with these codes. 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 most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in expressing our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF PAN GULF MARKETIN COMPANY
[A LISTED SAUDI JOINT STOCK COMPANY]
RIYADH, KINGDOM OF SAUDI ARABIA
REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

KEY AUDIT MATTERS (Continued)

Key Audit matters	How our audit addressed the key audit matters
Revenue Recognition	
With reference to the accounting policy related to revenue recognition, the group's revenues for the year ending on 31 December 2023 amounted to SR 422,347,643 (2022: SR 415,405,099). Revenues is one of the essential indicators for measuring performance, and as a result there are inherent risks in the revenue recognition process. Given the materiality of the amount of revenue recognized as well as the risks inherent in the revenue recognition process, revenue recognition was considered as key audit matter. Please refer to the accounting policy related to revenue recognition in Note No. (5-17) and detailed Note No. (21) in the accompanying financial statements.	We have performed the following procedures: - Evaluate the appropriateness of the group's revenue recognition policy based on International Financial Reporting Standard No. (15) "Revenue from contracts with customers"; - Evaluate the design and implementation of the internal control system related to management procedures over revenue recognition; - Review the sales transactions that occurred at the end of the year to assess whether the revenue was recognized in the correct period; - Test a sample of recorded revenue transactions and match them with supporting documents for verification of recorded revenue; - We performed analytical procedures; - We evaluated the adequacy of the disclosures used in the consolidated financial statements related to the revenue item.

OTHER INFORMATION

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

Our opinion on the consolidated 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 consolidated 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 consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated 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 the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to going concern, disclosing, as applicable, matters related to going concern and using the going concern principle of accounting unless the management either intends to liquidate the Group 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 Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

As part of an audit in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we perform our professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- 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 the used accounting policies and the reasonableness of the accounting estimates and related disclosure which prepared by the 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 raise a significant suspicion on the Group's ability to going concern. If we conclude that a material uncertainty exists, we are responsible to draw attention in our auditor's report to the related disclosures in the consolidated 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 Group's 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for direction, supervision and performance of group audit. We remain solely responsible for our audit opinion.

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, related safeguards.

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PKF
Ibrahim Ahmed Al-Bassam
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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF PAN GULF MARKETIN COMPANY
[A LISTED SAUDI JOINT STOCK COMPANY]
RIYADH, KINGDOM OF SAUDI ARABIA
REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE COSOLIDATED FINANCIAL STATEMENTS (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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 Al-Bassam & Co.

البسام وشركاؤه
محاسبون قانونيون
رقم الترخيص ٥٢٠/١١/٣٢٣
C.R.1010385804
license 520/11/323
Al-Bassam & Co.
Certified Public Accountants

Ibrahim Ahmed Albassam
Certified Public Accountant
License No. 337
Riyadh: 10 Ramadan 1445H
Corresponding to: 20 March 2024

PAN GULF MARKETING COMPANY
(A Listed Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	31 December 2023	31 December 2022 (Restated Note 34)
ASSETS			
Non-current assets			
Property and equipment	6	**4,644,666**	3,612,728
Right-of-use assets	7-a	**15,866,041**	13,074,233
Intangibles assets	8	**2,455,251**	1,473,619
Deferred tax	9	**638,109**	478,481
Total non-current assets		**23,604,067**	18,639,061
Current assets			
Inventories	10	**183,268,809**	190,262,609
Trade receivables	11	**112,288,235**	96,970,236
Prepaid expenses and other current receivables	13	**17,219,085**	16,067,248
Cash and cash equivalents	14	**10,253,515**	14,367,169
Total current assets		**323,029,644**	317,667,262
TOTAL ASSETS		**346,633,711**	336,306,323
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**50,000,000**	50,000,000
Statutory reserve	16	-	6,278,181
Retained earnings		**27,037,537**	3,487,574
Foreign currency translation reserve		**(1,899,835)**	(1,400,563)
TOTAL EQUITY		**75,137,702**	58,365,192
LIABILITIES			
Non-current liabilities			
Employees' post-employment benefits	17	**25,172,489**	21,540,743
Non-current portion of lease liabilities	7-b	**8,766,931**	8,313,435
Total non-current liabilities		**33,939,420**	29,854,178
Current liabilities			
Short-term loans	18	**156,724,496**	150,268,746
Current portion of lease liabilities	7-b	**6,849,877**	5,079,750
Trade payables		**58,019,022**	80,222,563
Accrued expenses and other current liabilities	19	**14,213,585**	10,669,583
Contract liabilities		**1,176,790**	886,023
Zakat and Income Tax	20	**572,819**	960,288
Total Current liabilities		**237,556,589**	248,086,953
TOTAL LIABILITIES		**271,496,009**	277,941,131
TOTAL EQUITY AND LIABILITIES		**346,633,711**	336,306,323
Contingencies and capital commitments	28		

Chief Financial Officer	**Chief Executive Officer**	**Chairman of Board of Directors**
Nawaf Mishari Wallan	Khaled Abdulaziz Al-Babtain	Abdullah Ahmed Al-Manea

The accompanying notes from 1 to 36 form an integral part of these consolidated financial statements.

PAN GULF MARKETING COMPANY
(A Listed Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	31 December 2023	31 December 2022
Revenue	21	**422,347,643**	415,405,099
Cost of revenue	22	**(285,573,154)**	(284,241,178)
Gross Profit		**136,774,489**	131,163,921
Selling and marketing expenses	23	**(71,601,641)**	(68,440,666)
General and administrative expenses	24	**(22,543,532)**	(20,900,704)
Expected credit losses allowance	1-11	**(1,318,158)**	(1,161,799)
Other income	25	**344,130**	372,604
Operating Income		**41,655,288**	41,033,356
(Losses)/gains on Foreign exchange differences		**(251,523)**	2,985,488
Finance costs	26	**(15,585,535)**	(8,823,011)
Net profit before Zakat and Income Tax		**25,818,230**	35,195,833
Zakat and income tax expense	20	**(3,140,293)**	(2,557,505)
Deferred tax	9,20	**159,628**	143,481
Net profit for the year		**22,837,565**	32,781,809
Other comprehensive income			
Items that will not be reclassified to statement of profit or loss:			
Actuarial (losses)/gains on post-employment benefits	17	**(65,783)**	1,533,444
Items that may be reclassified to statement of profit or loss:			
Foreign exchange differences		**(499,272)**	(373,220)
Total other comprehensive income		**(565,055)**	1,160,224
Total comprehensive income for the year		**22,272,510**	33,942,033
Basic and diluted earnings per share from Net income for the year attributable to the shareholders	27	**4.57**	6.58

Chief Financial Officer	**Chief Executive Officer**	**Chairman of Board of Directors**
Nawaf Mishari Wallan	Khaled Abdulaziz Al-Babtain	Abdullah Ahmed Al-Manea

The accompanying notes from 1 to 36 form an integral part of these consolidated financial statements.

PAN GULF MARKETING COMPANY
(A Listed Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Additional paid-in capital	Statutory Reserve	Retained Earnings	Foreign currency translation reserve	Total Equity
Balance as at 1 January 2022	10,000,000	16,177,594	3,000,000	43,846,115	(1,027,343)	71,996,366
Transferred from acquired companies –Restated (Note 1-2, 34).	-	-	-	30,976,793		30,976,793
Net profit for the year	-	-	-	32,781,809	-	32,781,809
Other comprehensive income	-	-	-	1,533,444	(373,220)	1,160,224
Total comprehensive income for the year	-	-	-	34,315,253	(373,220)	33,942,033
Capital increase	40,000,000	(16,177,594)	-	(23,822,406)	-	-
Dividends (Note 33)	-	-	-	(78,550,000)	-	(78,550,000)
Transferred to the statutory reserve	-	-	3,278,181	(3,278,181)	-	-
Balance as at 31 December 2022– Restated (Note 34)	**50,000,000**	-	**6,278,181**	**3,487,574**	**(1,400,563)**	**58,365,192**
Net profit for the year	-	-	-	**22,837,565**	-	**22,837,565**
Other comprehensive income	-	-	-	**(65,783)**	**(499,272)**	**(565,055)**
Total comprehensive income for the year	-	-	-	**22,771,782**	**(499,272)**	**22,272,510**
Dividends (Note 33)	-	-	-	**(5,500,000)**	-	**(5,500,000)**
Transfer to retained earnings (Note 16)	-	-	**(6,278,181)**	**6,278,181**	-	-
Balance as at 31 December 2023	**50,000,000**	-	-	**27,037,537**	**(1,899,835)**	**75,137,702**

Chief Financial Officer	**Chief Executive Officer**	**Chairman of Board of Directors**
Nawaf Mishari Wallan	Khaled Abdulaziz Al-Babtain	Abdullah Ahmed Al-Manea

The accompanying notes from 1 to 36 form an integral part of these consolidated financial statements.

PAN GULF MARKETING COMPANY
(A Listed Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	31 December 2023	31 December 2022
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before zakat and income tax		**25,818,230**	35,195,833
Adjustments for:			
Depreciation of property and equipment	6	**1,171,166**	933,790
Depreciation of right-of-use assets	7-a	**8,586,204**	5,935,111
Amortization of intangible assets	8	**471,555**	416,453
Profits from the sale of property and equipment	25	**(67,104)**	(14,195)
Expected credit losses allowance, net	11.1	**1,318,158**	1,161,799
Provision for end-of-service benefits for employees	17	**2,613,795**	2,537,235
Finance costs		**15,585,535**	8,823,011
Provision for slow moving inventory, net	10.1	**1,034,942**	1,112,964
		56,532,481	56,102,001
Change in working capital:			
Inventories		**5,968,752**	(45,495,037)
Trade receivables		**(16,633,062)**	5,658,912
Prepaid expenses and other current receivables		**(1,151,838)**	(6,914,874)
Trade payable		**(22,203,541)**	16,872,949
Accrued expenses and other current liabilities		**3,544,002**	5,653,414
Contract liabilities		**290,767**	(585,470)
Cash flows generated from operations		**26,347,561**	31,291,895
Zakat and income tax paid	20	**(3,527,762)**	(2,776,720)
Employees' post-employment benefits paid	17	**(695,438)**	(1,347,705)
Net cash flows generated from operating activities		**22,124,361**	27,167,470
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	6	**(2,355,664)**	(1,851,555)
Purchase of intangible assets	8	**(1,453,273)**	-
Proceeds from sale of property, equipment and intangible assets		**209,153**	15,382
Net cash flows (used in) investing activities		**(3,599,784)**	(1,836,173)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from Short-term borrowings	18	**387,197,526**	298,619,000
Short-term borrowings paid	18	**(380,918,709)**	(300,722,000)
Paid financing costs		**(13,880,534)**	(6,174,715)
Related parties		-	15,555,360
Lease liabilities payments	7-b	**(10,191,615)**	(6,552,085)
Dividends Paid		**(4,303,359)**	(25,975,509)
Net cash flows (used in) financing activities		**(22,096,691)**	(25,249,949)
Net change in cash and cash equivalents		**(3,572,114)**	81,348
Cash and cash equivalents at the beginning of the year		**14,367,169**	10,839,539
Impact of exchange rate changes on cash and cash equivalents		**(541,540)**	(361,855)
Cash from acquisitions of subsidiaries	2.1	-	3,808,137
Cash and cash equivalents at the end of the year		**10,253,515**	14,367,169
Non-cash transactions	32		

Chief Financial Officer	**Chief Executive Officer**	**Chairman of Board of Directors**
Nawaf Mishari Wallan	Khaled Abdulaziz Al-Babtain	Abdullah Ahmed Al-Manea

The accompanying notes from 1 to 36 form an integral part of these consolidated financial statements.

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(All amounts in Saudi Riyals unless otherwise stated)

1. LEGAL STATUS AND ACTIVITY

Pan Gulf Marketing Company (the "Company") is a listed Saudi joint stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No.1010058018 dated 13 Jumada Al awal 1405H (corresponding to 3 February 1985).

On 23 Shawwal 1443H (corresponding to 24 May 2022), the extraordinary general assembly of the company was held, and the shareholders decided to amend the company's trade name to become Pan Gulf Marketing Company, the company's article of association were amended on 24 July 2022, and the commercial register on 31 July 2022.

On 12 Rabi' al-Awwal 1445H (corresponding to 27 September 2023), the Board of Directors of the Capital Market Authority issued its decision approving the company's request to register its shares on the Tadawul market and offer 600,000 shares, which represent 12% of the company's shares, in the parallel market (Numu). The company's shares were listed and started trading in the Saudi financial market under the symbol 9593.

During the year 2023, the company's bylaws were amended to comply with the provisions of the Companies Law, which came into force as at 1 January 2023, on 23 Shaaban 1445AH (corresponding to 4 March 2024), the Company's bylaws and commercial register were amended after the Company became listed on Saudi financial market.

The main activity of the group is represented in is the repair of typewriters, the repair and maintenance of photocopiers, the repair and maintenance of electrically powered hand tools and devices, the repair and maintenance of multi-use consumer machines, the wholesale sale of non-wearable types of textiles and fabrics, the wholesale sale of clothing accessories such as: gloves and neckties. -Pants-carries, Bags Wholesale, Housewares Wholesaling and Material Accessories, Beauty Tools Wholesaling, Wholesale of office supplies and stationery, wholesale of wooden, cork and plastic products, wholesale of leather goods and travel accessories, wholesale of children's toys, wholesale of packaging equipment and tools, wholesale of tools and hand tools such as: screwdrivers, saws, hammers, wholesale of chemicals, sale Wholesale of primary plastic materials, rubber and synthetic fibers, wholesale of educational equipment and aids, retail sale of non-wearable types of textiles and fabrics such as curtains, retail sale of wooden, cork and plastic products, retail sale of camping equipment, retail sale of travel and fishing supplies, retail sale of games and toys in specialized stores, Retail sale of luxuries and clothing accessories, retail sale of bags, retail sale of packaging equipment and tools, retail sale of cleaning materials, sale of plastic materials and supplies, general stores that include a variety of goods.

The consolidated financial statements include the accounts of the company, its following branches:

1.1 Branches

Branch Location	C.R Number	Date
Jeddah	4030123613	13 Thul Qi'dah 1418H (corresponding to 11 March 1998)
Buraidah	1131014608	1 Jumada Al Thani 1420H (corresponding to 11 September 1999)
Khamis Mushait	5855024694	4 Muharram 1425H (corresponding to 24 February 2004)
Al Dammam	2050116538	12 Shawwal 1439H (corresponding to 26 June 2018)

1.2 Subsidiaries

These consolidated financial statements include the financial statements of Pan Gulf Marketing Company and the financial statements of subsidiaries owned by the company, directly or indirectly (hereinafter referred to as the "Group"), listing as follows:

(All amounts in Saudi Riyals unless otherwise stated)

1. LEGAL STATUS AND ACTIVITY (CONTINUED)

1.2 Subsidiaries (COUNTINUED)

Name of Subsidiary	Country	CR Number	Legal Form	Principle Activity	Ownership Percentage 2023	Ownership Percentage 2022
Al Hoshan Pan Gulf L.L.C.	United Arab Emirates	223870	Limited liability company	Trading of stationery, writing and drawing tools, trading of educational aids and models, bags and travel supplies	**100%**	100%
Al Hoshan Office Supplies and Stationary Wholesalers W.L.L.	Kuwait	11880	Limited liability company	Stationery, office tools, photographic devices and equipment	**100%**	100%
Hoshan Pan Gulf Company W.L.L.	Bahrain	1-33092	Limited liability company	Trade of selling carpets, rugs, floor and wall cladding, household appliances, handicrafts, stationery and tools	**100%**	100%
Hoshan Pan Gulf L.L.C.	Oman	1546910	Limited liability company	Retail sale in specialized stores of various household tools and utensils	**100%**	100%
Al Hoshan Establishment	Qatar	18270	Limited liability company	Trade in household appliances, adhesives, stationery, office and writing materials, and trade in gum and glue	**100%**	100%
Clips Limited Company	Kenya	1103370	Limited liability company	Importing goods, trading and retailing printing materials and equipment, and stationery	**100%**	100%
Clips Nav Limited Company	Morocco	6524	Limited liability company	Importing goods, trading and retailing printing materials and equipment, and stationery	**100%**	100%

These companies are mainly engaged in importing goods and trading and retailing printing and stationery materials and equipment. All intra-group balances and transactions resulting from intra-group transactions are eliminated in their entirety. Any unrealized gains or losses resulting from transactions within the group are also eliminated upon consolidation.

The consolidated financial statements for the year ending on December 31, 2023, included the following subsidiaries that were acquired and consolidated starting from January 1, 2022, and the following is the financial information for each subsidiary:

	Cash and cash equivalents at the date of acquisition	Amount Restated note 34
(1) Al Hoshan Establishment	**305,177**	**14,306,230**
(2) Clips Limited Company	**3,003,667**	**7,212,968**
(3) Clips Naf Limited Company	**499,293**	**9,457,595**
	3,808,137	**30,976,793**

(1) Al-Hoshan Establishment
Al-Hoshan Establishment “the Establishment” is an individual Establishment in the State of Qatar owned by Mr. Ahmed Hamad Mohammed Al-Hoshan, which works in the sale of office supplies. On 11 November 2021, an agreement was concluded to assign the Corporation’s rights and obligations in favor of Mr. Fahd Ahmed Hamad Al-Hoshan, and on 1 January 2022 An assignment agreement was concluded between the company and Mr. Fahd Ahmed Hamad Al-Hoshan, in his capacity as the owner of the institution, according to which he assigns the institution in favor of the company at the book value without compensation, and legal procedures are being taken to transfer ownership of the institution to the company. The following are the balances of assets and liabilities on the date of 1 January 2022:

(All amounts in Saudi Riyals unless otherwise stated)

1. LEGAL STATUS AND ACTIVITY (CONTINUED)

1.2 Subsidiaries (Continued)

(1) Al-Hoshan Establishment (Continued)

	Amount
Right-of-use assets	675,673
Other non-current assets	28,202
Trade receivables Other receivables	9,663,908
Inventory	6,751,886
Cash and its equivalent	305,177
End of service benefits for employees	(943,602)
Trade payables	(1,455,691)
Lease liabilities	(719,323)
Total net assets acquired	**14,306,230**

(2) Clips Limited Company

Clips Company Limited is a limited liability company established in Kenya and owned by Pan Gulf Marketing LLC. In the United Arab Emirates, with 100% of the capital shares, it works in the sale of office supplies, and on 17 August 2021, an agreement was concluded between the company and Pan Gulf Marketing Company LLC. In the United Arab Emirates to acquire Clips Limited, including its rights and obligations in favor of the company, at book value without compensation, and on 1 January 2022, the regulatory procedures were completed and the company became owner of Clips Company with 100% of the capital shares. The following are the balances of assets and liabilities. On 1 January 2022:

	Amount
Property and equipment	85,729
Deferred tax	273,053
Trade receivables Other receivables	2,335,934
Inventory	1,754,964
Cash and its equivalent	3,003,667
End of service benefits for employees	(81,205)
Trade payables	(159,174)
Total net assets acquired	**7,212,968**

(3) Clips Naf Company

Clips Naf is a limited liability company established in Morocco and owned by Pan Gulf Marketing LLC. In the United Arab Emirates, with 100% of the capital shares, it works in the sale of office supplies, and on 17 August 2021, an agreement was concluded between the company and Pan Gulf Marketing Company LLC. In the United Arab Emirates to acquire Clips Limited, including its rights and obligations in favor of the company, at book value without compensation, and on 1 January 2022, the regulatory procedures were completed and the company became owner of Clips Company with 100% of the capital shares. The following are the balances of assets and liabilities. On 1 January 2022:

	Amount Restated note 34
Property and equipment	110,560
Deferred tax	303,900
Trade receivables Other receivables	12,459,011
Inventory	5,998,150
Cash and its equivalent	250,989
End of service benefits for employees	499,293
Trade payables	(10,164,308)
Total net assets acquired	**9,457,595**

2. BASIS OF PREPARATION

2.1 Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost, using the accrual basis of accounting and the going concern concept, except for employees' post-employment benefits that are measured using project credit unit method.

2.3 Presentation and functional currency

These consolidated financial statements are presented in Saudi Riyals (SR) which is the functional of the Group. All amounts in Saudi Riyals unless otherwise stated.

3. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

New and revised International Financial Reporting Standards issued and effective in 2023

The following amendments to the Group's relevant standards are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Company has adopted these standards and/or amendments; however, they do not have a material impact on the consolidated financial statements:

Amendments to standards	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 9 (Amendments to IFRS 4)	Extension of temporary exemption from application of IFRS 9 (IFRS 4 Amendments)	1 January 2023	The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instrument, so that entities are required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
IFRS 17	Insurance contracts and their amendments	1 January 2023	This is a new, comprehensive accounting standard for insurance contracts covering recognition, measurement, presentation and disclosure. When effective, IFRS 17 (together with its subsequent amendments) will replace IFRS 4 Insurance Contracts issued in 2005.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023	This amendment deals with helping entities determine the accounting policies that must be disclosed in their financial statements.
IAS 8	Amendment to the definition of accounting estimate	1 January 2023	These amendments to the definition of accounting estimates help entities distinguish between accounting policies and accounting estimates.
IAS 12	Deferred tax relating to assets and liabilities arising from a single transaction	1 January 2023	These amendments require companies to recognize deferred tax on transactions that, upon initial recognition, result in equal amounts of taxable and deductible temporary differences.

(All amounts in Saudi Riyals unless otherwise stated)

3. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)

New and revised International Financial Reporting Standards issued and effective in 2023 (Continued)

Amendments to standards	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 12	International tax reform (Pillar II model rules)	1 January 2023	These amendments give companies a temporary exemption from deferred tax accounting arising from the Organization for Economic Co-operation and Development (OECD) international tax reform. The amendments also introduce specific disclosure requirements for affected companies.

New standards, amendments to IFRS revised, issued but are not yet effective:

The Group has not applied the new and revised IFRSs and the following amendments to IFRSs that have been issued but are not yet effective.

Amendments to standards	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 1	Classifying liabilities into current or non-current	1 January 2024	The amendment clarified what is meant by the right to defer settlement, that the right to defer must exist at the end of the reporting period, and that this classification is not affected by the possibility of the entity exercising its deferral right, only if the derivative embedded in a convertible obligation is itself a rights instrument. Ownership, and the terms of the commitment will not affect its classification.
IFRS 16	Leases for sale and leaseback	1 January 2024	These amendments incorporate the requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all of the lease payments are variable lease payments not based on an index or rate are more likely to be affected.
IAS 7 and IFRS 7	Supplier financing arrangements	January 1, 2024	These amendments require the addition of disclosure requirements to enhance the transparency of supplier financing arrangements, and “guidance signals” within existing disclosure requirements require entities to provide qualitative and quantitative information about supplier financing arrangements.
IAS 21	Difficulty converting	1 January 2024	The amendments contain guidelines for determining when a currency is convertible and how to determine the exchange rate when it is not.

Management expects that these new standards, interpretations and amendments will be implemented in the Company's financial statements when they are applicable, and the adoption of these new standards, interpretations and amendments may not have any material impact on the Company's financial statements in the period of initial application.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these consolidated financial statements in accordance with International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia requires management to use judgements, estimates and assumptions, which in turn affect the application of accounting policies to the reported amounts of assets and liabilities. As well as disclosures about some potential assets and liabilities at the date of the consolidated statement of financial position. Estimates and assumptions affect the balances of assets and liabilities as well as the reported amounts of revenues and expenses. Although these estimates are made based on the best information available to management about current events or conditions, actual results may differ from these estimates.

Estimates and related assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Significant judgments when applying important accounting policies / information about these Group policies:

The following are the critical judgments, excluding the estimates described below, made by management in applying the Group's significant accounting policies/information about those policies that have a material effect on the amounts included in these consolidated financial statements.

4.1 Going Concern

When approving the consolidated financial statements, management had reasonable expectations that the Company had the resources necessary to continue its operations in the near future. Accordingly, these consolidated financial statements have been prepared on the basis of the going concern principle.

4.2 Provisions

A provision is recognized if, as a result of past events, it appears that the Group has a present legal or contractual obligation whose amount can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

The provision is measured at present value according to management's best estimate of the present value of the expenditures required to settle existing obligations at the reporting date, considering the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, it carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from another party, the amount receivable is recognized as an asset if it is certain that the amounts paid will be received and the amount receivable can be measured reliably.

4.3 Impairment of financial assets

The Group assesses the expected credit losses associated with its debt instruments carried at amortized cost on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For receivables, the Group applies the simplified approach permitted in IFRS 9, which requires lifetime expected losses to be recognized from the initial recognition of the receivables.

4.4 Decline of inventory

The group's management determines at the date of the statement of financial position whether there is a decrease in the value of the inventory or a slow-moving inventory. Determining the decline requires making significant decisions involving evaluation factors including the nature of the business and market conditions.

4.5 Useful lives

The management determines the estimated useful lives of property, plant and equipment and intangibles for calculating depreciation and amortization. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.6 Actuarial valuation of employees' benefits

The cost of defined benefit post-employment benefits and the present value of the related obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age, mortality rates etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

4.7 Determining the lease term and the discount rate used for the leased assets

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Extension options (or periods after termination options) are included in the lease term only if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed in the event of a significant event or material change in circumstances that affects this assessment and is within the tenant's control.

Management uses its judgment to determine the incremental borrowing rate in order to calculate the present value of the lease payments.

4.8 Zakat provision

The management evaluated the position of zakat, considering the local zakat legislation, the decisions issued periodically, and the agreements. The interpretation of legislative decrees and agreements is not always clear and requires the completion of the assessment by the Zakat, Tax and Customs Authority.

5. SIGNIFICANT ACCOUNTING POLICIES

The Group has applied the following accounting policies consistently to all periods presented in these consolidated financial statements, unless otherwise stated. In addition, the Group has adopted accounting policy disclosures (amendments to IAS 1 and IFRS Practice Statement 2) effective from 1 January 2023. The amendments require disclosure of "substantial" rather than "significant" accounting policies. Although the amendments did not result in any changes to the accounting policy itself, they did affect the accounting policy information disclosed in some cases.

5.1 Basis of consolidation

The consolidated financial statements include the financial statements of Pan Gulf Marketing Company and its branches and subsidiaries (the group), as stated in Note No. (1).
The consolidated financial statements consist of the financial statements of the parent company and its subsidiaries as at December 31, 2023. Subsidiaries are companies controlled by the Group. Control is achieved when the Group is exposed to risks or has the right to receive variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee only when the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns; and

When the Group holds less than a majority of the voting or similar rights of an investee, the Group considers all relevant information and circumstances when assessing the extent of its control over an investee, including:

- The existing contractual arrangement with other vote holders in the investee company
- Rights resulting from other contractual arrangements
- The group's voting rights and potential voting rights

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.1 Basis of consolidation (Continued)

The Group reassesses the extent of its control over an investee if information and circumstances indicate that there are changes in one or more of the three factors of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. The assets, liabilities, revenues and expenses related to the subsidiary that were acquired or sold during the year are included in the consolidated financial statements from the date the group obtains control until the date the group ceases to control the company.

Profit or loss and each item of consolidated comprehensive income relate to the shareholders of the Group's parent company and the non-controlling interests, even if this results in a deficit balance in the non-controlling interests. When necessary, adjustments are made to the financial statements of subsidiaries so that the accounting policies are consistent with the group’s accounting policies. All intercompany assets and liabilities, equity, revenues, expenses and cash flows relating to transactions between group members are eliminated in their entirety upon consolidation.

A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. If the group loses control over a subsidiary. It is:

- The assets and liabilities of the subsidiary are excluded.
- The book value of any non-controlling interests is excluded.
- Accumulated foreign currency translation differences recorded in equity are excluded.
- It works to achieve the fair value of the consideration received.
- It works to achieve the fair value of any retained investment.
- It works to achieve any surplus or deficit in the consolidated statement of profit or loss.
- Reclassifies the parent company’s share of items previously recorded in comprehensive income to the consolidated statement of profit or loss or retained earnings, when appropriate, and when necessary if the group directly sells the related assets or liabilities.

5.2 Property and equipment

Property and equipment items are measured at cost less accumulated depreciation and any accumulated impairment loss.

Any gains or losses from disposal of any items of property and equipment are recognized in profit or loss based on the difference between proceeds from sale and the carrying number of disposed items.

Depreciation is calculated to write-off cost of items of property and equipment less their estimated residual value using the straight-line method over the period of the estimated useful lives. These items are usually recognized in profit or loss.

The estimated useful lives of items of property and equipment for the current and comparative periods are as follows:

	Years
Buildings on leasehold land	20
Leasehold improvements	3 - 7
Office equipment and hardware	3 - 10
Furniture and fixture	3 - 10
Motor vehicles	3 - 5

Depreciation methods, useful lives and residual values are reviewed at each reporting period and are adjusted whenever appropriate as changes in accounting estimate in the year where the change takes place and the following years.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.2 Property and equipment

Projects in progress are stated at cost less impairment losses. All expenses incurred during the installation and construction period are recorded and charged to projects in progress, then the cost of assets in progress is transferred to the appropriate category of property and equipment when they are ready for use. The cost of projects in progress includes purchase costs and costs that are directly attributable to bringing the assets in progress to their intended use or purpose.

5.3 Intangible assets

Intangible assets having definite lives are measured at cost less accumulated amortization and accumulated impairment losses, if any.

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in profit or loss.

Intangible assets that have a finite life are amortized over their estimated useful lives, and reviewed for impairment when there is evidence indicating the occurrence of such decline. The period and method of amortization of intangible assets that have a finite life are reviewed at least once at the end of each financial period. Changes in the expected useful life or the method of amortization of future economic benefits embodied in the asset are accounted for by adjusting the amortization period or method, as appropriate, and are recorded as changes in accounting estimates. Depreciation expense on intangible assets that have a finite life is recognized in the statement of profit or loss as an expense in line with the function of the intangible assets.

Gains and losses on disposals, if any, are taken to the statement of profit or loss and other comprehensive income account in the period in which they arise.

The following are the estimated useful lives of intangible asset items for the current and comparative year:

Category	**Years**
Software licenses	7
Leasehold rights	7
Deposits	7

5.4 Leases

Group as a lessee

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for financial consideration. The group assess transfer of right of use by assessing the client have ability over use period with the following:

a. Right to receive most of the economic benefits from using the determined assets.
b. Right to control the determined asset.

The Group recognizes a right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use) and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of costs to dismantle, less any lease incentive received. The estimated useful life of right-of-use assets is determined based on a lease term.

At the commencement date, the lease liability is initially measured at the present value of the lease payment that is not paid at that date. The Group discounted lease payments using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group use the incremental borrowing rate.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.4 Leases (Continued)
After commencement date, the Group measure the liability by:

a. Increasing the carrying amount to reflect the interest on lease liability.
b. Reducing the carrying amount to reflect the lease payment made; and
c. Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect modified or substantially fixed rent payment which re-measured when there are change in future lease payment generated from the change or modification on the rate used or there are change in the estimate of expected amount or the group change its evaluation if the group will purchase or extend or finalize.

Any such re-measurement in the lease liability is adjusted against the carrying value of the right-of-use asset or charged to condensed consolidated income statement if carrying value of the related asset is zero.

Short-term leases
The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Extension option
In case of lease contracts which offer the extension option, the group assess if there is reasonably certainty to exercise an option when commencing the contract. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Group as a lessor
The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of the “other income”.

5.5 Inventories
Inventories are carried at lower of cost or net realizable value. Net realizable value is the difference between estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost is determined using the weighted average method.

The Group recognizes impairment of carrying value, if any, at the difference between carrying value and net recoverable value for slow-moving and obsolete inventories within cost of sales.

5.6 Financial Instruments

Initial recognition and measurement
Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets
On initial recognition, a financial asset is classified as: amortized cost, at Fair Value through Other Comprehensive Income – equity investment; or Fair Value Through Profit or Loss. Financial assets are not reclassified after their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.6 Financial Instruments (Continued)

Classification and subsequent measurement (Continued)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost as described above are measured at FVTPL.

Financial assets: Business model assessment

The Group assesses the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining an interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets.

- how the performance of the portfolio is evaluated and reported to the Group's management.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- how managers of the business are compensated – e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume, and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a period and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, the Group considers

- Contingent events that would change the amount or timing of cash flows.
- Terms that may adjust the contractual coupon rate, including variable rate features.
- Prepayment and extension feature; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g., non-recourse features).

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.6 Financial Instruments (Continued)

Classification and subsequent measurement (Continued)

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest (continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: Subsequent measurement and gains and losses

Financial assets carried at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial liabilities

Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Derecognition

Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its consolidated statement of financial position but retains either all or substantially all the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.6 Financial Instruments (Continued)

Classification and subsequent measurement (Continued)

Offsetting
Financial assets and financial liabilities are offset, and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Impairment of financial instruments
The Group recognizes loss allowances for Expected Credit Losses (ECLs) on:

- financial assets measured at amortized cost;

Loss allowances for trade receivables with or without significant financing component are always measured at an amount equal to lifetime ECL.

Bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition are measured at 12-month ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer.
- a breach of contract such as a default or being more than 360 days past due.
- it is probable that the borrower will enter bankruptcy or other financial reorganization, or the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the consolidated statement of financial position
Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.6 Financial Instruments (Continued)

Impairment of financial instruments (Continued)

Write-off
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate enough cash flows to repay the amounts subject to the write-off. However, financial assets that are written-off could still be subject to enforcement activities to comply with the Group's procedures for recovery of amounts due.

5.7 Impairment of non-financial assets
At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.
For impairment testing, assets are grouped together into the smallest Group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.
The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

5.8 Cash and cash equivalents
Cash and cash equivalents consist of cash in hand and cash in current accounts with banks and other short-term high-liquidity investments with original maturities of three months or less (if any) available to the Group without any restrictions.

5.9 Share capital
Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Group's ordinary shares are classified as equity instruments.

5.10 Employees' post-employment benefits
Short-term liabilities
wages and salaries Liabilities, including non-monetary benefits, accumulated leave, travel allowance, children's education allowance and furniture allowance expected to be fully settled within twelve months after the end of the period in which the employees provide the related service up to the end of the reporting period, are recognized and measured by the amounts expected to be paid upon settlement of liabilities.

Defined benefits plans
The Group is operating a post-employment defined benefit plan. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Actuarial gains and losses are recognized in full in the period in which they occur in the consolidated statement of profit or loss and other comprehensive income. Such actuarial gains and losses are also immediately recognized and are not reclassified to profit or loss in subsequent periods. Re-measurements are not reclassified to profit or loss in subsequent periods.

Net interest is calculated by applying the discount rate to the defined benefit liability. The Group recognizes the following changes in the defined benefit obligation under 'cost of sales' and 'selling, general and administrative expenses' in the consolidated statement of profit or loss and other comprehensive income (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.
- Net interest expense or income

The defined benefit liability comprises the present value of the defined benefit obligation, less past service costs.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.11 Provisions

A provision is recognized in the consolidated statement of financial position if, because of past events, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefit, will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

5.12 Zakat and Income Tax

Zakat is provided in accordance with the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia and on an accrual basis. The provision is charged to the consolidated statement of profit or loss and other comprehensive income. Differences, if any, resulting from the final assessments are adjusted in the year of their finalization.

For entities outside the Kingdom of Saudi Arabia, provision for income tax is computed in accordance with tax regulations of the respective countries and charged to the consolidated statement of profit or loss and other comprehensive income.

The Company is effectively a wholly owned subsidiary of Al Hoshan Holding Company Limited (the ultimate parent company). According to the Ministerial Resolution No. 1005 dated 28 Rabi' al-thani 1428H (corresponding to 15 May 2007) the ultimate parent company submits one Zakat return for the Group based on the Group's consolidated financial statements and consolidated Zakat base and settles Zakat liability accordingly. The Company's share of the Zakat for the year is estimated based on the Company's standalone Zakat base and is charged to the consolidated statement of profit or loss and other comprehensive income. This estimation is adjusted proportionately by the consolidation impact, as applicable.

5.13 Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for the purposes of the financial report and tax amounts used for tax purposes. Deferred tax liabilities are normally recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that they are likely to have taxable income that can be used for temporary differences that can be deducted. These assets and liabilities are not recognized in the event that temporary differences arise from the initial. recognition of goodwill or return to assets or liabilities in an ineffective operation on tax or accounting income except in the case of a merger.

Deferred tax liabilities relating to temporary taxable differences arising from investments in subsidiaries, joint operations and associates are recognized except when the Group has the ability to reverse these temporary differences and these temporary differences may not be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and adjusted to the extent that it is probable that there will be sufficient taxable income allowing the recovery of the asset or part thereof.

Deferred tax is calculated on the basis of the tax rates expected to be applied in the period in which the liability is settled, or the asset is recognized based on the applicable laws or substantially expected to be enacted at the reporting date. The deferred tax is charged or reversed from the consolidated statement of income except in the case that it is attributable to items carried or reversed directly from equity. In this case, deferred tax is treated directly in equity.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.14 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.
The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

5.15 Finance costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized over the time period necessary to complete and prepare the asset for its intended use or sale. Other finance costs are expensed in the period in which they are incurred and reported as 'finance expense'. Finance costs consist of interest and other costs that the company incurs in in respect of the borrowings.

5.16 Loans

Borrowings are initially recognized at fair value (as proceeds received). Net after deducting transaction costs, if any. Subsequent to initial recognition, short-term borrowings are measured at amortized cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the consolidated statement of profit or loss over the life of the loan using the effective interest method. Fees paid on loan facilities are recognized in loan transaction costs to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the facility is drawn down, and the fee is capitalized within advance payments for liquidity services to the extent that there is no evidence that part or all of the facility may be drawn down, and it is amortized over the period of the related facility.

Borrowings are derecognized in the consolidated statement of financial position when the obligation is settled, canceled or expires. The difference between the carrying amount of the financial liabilities that have been extinguished or transferred to another party and the consideration paid, including non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of profit and loss under other income or finance costs.

Loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting year.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.16 Loans (continued)

Borrowings, general and specific, that are directly attributable to the purchase, construction or production of qualifying assets are capitalized within the period of time required to complete and prepare the asset for its intended use or sale, as appropriate. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are recognized as an expense in the year in which they are incurred in the consolidated statement of profit or loss.

5.17 Revenue recognition

The Group recognizes revenue under IFRS 15 using the following five steps model:

Step 1: Identify the contract with customers.	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2: Identify the performance obligations	A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price.	The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocation of transaction price.	For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Revenue recognition	The Group recognizes revenue (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

Revenue

The Group recognizes revenue when control of the products sold, transfers to the customer, which shall be considered in the course of five-step approach explained above and applying the applicable shipping terms.

Revenue is recognized when (or as soon as) the entity satisfies the terms of a performance obligation (contracts with customers contain a single performance obligation), such as the products are transferred to the customer and the customer obtains control at a point in time.

Rights of return

When a contract with a customer provides a right of return of the good within a specified period, the Group accounts for the right of return when requested by the customer and contractual terms are met.

Financial Component

The Group does not expect to have any contracts that exceed the period between delivery of the products agreed to be sold to the customer and payment by the customer of one year. Therefore, the Group does not adjust any of the transaction prices for the time value of money.

5.18 Selling, marketing, general and administrative expenses

Selling, marketing, general and administrative expenses include direct and indirect costs not specifically part of cost of sales. Allocations between cost of sales and selling, distribution, general and administration expenses, when required, are made on a consistent basis.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.19 Foreign currency transactions

Transactions denominated in foreign currencies are translated to Saudi Riyals at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the financial position date are translated to Saudi Riyals at the foreign exchange rate ruling at that date. Gains or losses arising on exchanges are recognized in the consolidated statement of profit or loss and other comprehensive income currently.

Assets and liabilities of foreign subsidiaries are translated into Saudi Riyals at the exchange rates prevailing at the end of the financial period. Revenues and expenses for both the income statement and comprehensive income are translated at the exchange rates on the dates of the transactions, and translation differences resulting from the translation are included directly in the other comprehensive income statement. These differences are included in the consolidated statement of income during the year in which the foreign operations are disposed of. The change in the fair value resulting from the purchase of foreign companies is treated as assets and liabilities of foreign companies and is translated at the exchange rates prevailing on the date of the financial report.

5.20 Segment reports

Operating segment

An operating segment is a component of the Group that performs activities from which it may earn revenues and incur expenses, including revenues and expenses related to transactions with any of the Group's other segments. All segment results are evaluated periodically by the chief operating decision maker to make decisions and separately assess the performance of the resources allocated to each segment and the financial information available.

Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on an appropriate basis. Head office expenses, research and development costs, related assets/liabilities, and zakat assets and liabilities.

The group has one operating sector in the Kingdom of Saudi Arabia (import, export, wholesale and retail trade in office and school furniture, materials and supplies). The segment has reached the quantitative limits referred to in the IFRS 8 segment reporting standard. Accordingly, reports on the operating segment have been disclosed in the accompanying consolidated financial statements.

Geographical segment

A geographical segment is a group of assets, operations or establishments engaged in profitable activities in a particular economic environment subject to risks and returns different from those operating in other economic environments.

5.21 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, if market participants act in their economic best interest. The fair value of a non-financial asset considers a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which enough data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5-21 Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

On each date of financial position, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as described above.

5.22 Additional paid in capital

Additional paid in capital represents the contribution from Ultimate Shareholders to be maintained by the Group to meet the Group's business requirements. The balance has no maturity date and is free of commission.

5.23 Earnings Per Share

Basic earning/ (loss) per share

Basic earning or (Losses) per share is calculated by dividing: Profit / (loss) attributable to shareholders of the Group, net of any equity servicing costs other than ordinary shares, over the weighted average number of ordinary shares outstanding during the financial period.

5.24 Dividends

Cash or non-cash distributions to shareholders are recognized as liabilities upon approval of the distribution, and according to the Companies Law in the Kingdom of Saudi Arabia, dividend distributions are approved upon approval by the shareholders. The amount distributed is deducted directly from equity and recognized as a liability.

(All amounts in Saudi Riyals unless otherwise stated)

6. PROPERTY AND EQUIPMENT

	31 December 2023						
	Buildings on leasehold land	Lease hold improvements	Office equipment and hardware	Furniture and fixture	Motor vehicles	Projects in process	Total
Cost:							
Balance as at 1 January 2023	9,219,886	5,114,299	19,764,833	7,666,650	6,338,747	138,222	48,242,637
Additions during the year	-	252,844	961,683	284,788	850,942	5,407	2,355,664
Disposals during the year	-	(91,839)	(2,433,034)	(471,656)	(221,517)	(142,048)	(3,360,094)
Foreign exchange differences	(50,294)	(3,126)	(12,054)	(11,833)	(5,812)	(1,581)	(84,700)
Balance as at 31 December 2023	9,169,592	5,272,178	18,281,428	7,467,949	6,962,360	-	47,153,507
Accumulated Depreciation							
Balance as at 1 January 2023	8,076,390	4,953,183	19,038,866	7,312,561	5,248,909	-	44,629,909
Charged for the year	276,512	87,531	256,038	138,155	412,930	-	1,171,166
Disposals during the year	-	(91,839)	(2,433,033)	(471,656)	(221,517)	-	(3,218,045)
Foreign exchange Differences	(44,392)	(2,210)	(10,994)	(10,780)	(5,813)	-	(74,189)
Balance as at 31 December 2023	8,308,510	4,946,665	16,850,877	6,968,280	5,434,509	-	42,508,841
Net book value	861,082	325,513	1,430,551	499,667	1,527,851	-	4,644,666

Depreciation expense has been allocated as follows:	2023	2022
Selling and marketing expenses (note 23)	365,933	-
General and administrative expenses (note 24)	805,233	933,790
	1,171,166	933,790

(All amounts in Saudi Riyals unless otherwise stated)

6. PROPERTY AND EQUIPMENT (CONTINUED)

	31 December 2022						
	Buildings on leasehold land	**Lease hold improvements**	**Office equipment and hardware**	**Furniture and fixture**	**Motor vehicles**	**Project in progress**	**Total**
Cost:							
Balance as at 1 January 2022	9,278,643	5,109,774	16,577,997	7,132,717	4,809,986	-	42,909,117
Transferred from acquired companies	-	-	2,997,279	325,127	552,080	-	3,874,486
Additions during the year	-	7,942	338,854	221,819	1,144,718	138,222	1,851,555
Disposals during the year	-	-	(136,431)	(758)	(101,530)	-	(238,719)
Foreign exchange Differences	(58,757)	(3,417)	(12,866)	(12,255)	(66,507)	-	(153,802)
Balance as at 31 December 2022	9,219,886	5,114,299	19,764,833	7,666,650	6,338,747	138,222	48,242,637
Accumulated Depreciation							
Balance as at 1 January 2022	7,846,208	4,849,056	16,079,580	6,903,301	4,718,255	-	40,396,400
Transferred from acquired companies	-	-	2,875,772	307,841	487,076	-	3,670,689
Charged for the year	275,598	106,203	230,977	113,218	207,794	-	933,790
Disposals during the year	-	-	(135,939)	(63)	(101,530)	-	(237,532)
Foreign exchange differences	(45,416)	(2,076)	(11,524)	(11,736)	(62,686)	-	(133,438)
Balance as at 31 December 2022	8,076,390	4,953,183	19,038,866	7,312,561	5,248,909	-	44,629,909
Net book value	1,143,496	161,116	725,967	354,089	1,089,838	138,222	3,612,728

(All amounts in Saudi Riyals unless otherwise stated)

7. LEASES

The right-of-use assets represent leasing the company's headquarters and warehouses with long-term contracts of five years inside and outside the Kingdom of Saudi Arabia, and are depreciated according to the lease term.

7.A RIGHT OF USE ASSETS

	2023	2022
Cost		
Balance as at 1 January	**41,097,401**	31,481,102
Balance transferred from acquired	**-**	2,821,091
Additions during the year	**11,382,832**	6,824,617
Foreign exchange differences	**(26,778)**	(29,409)
Balance as at 31 December	**52,453,455**	41,097,401
Accumulated depreciation		
Balance as at 1 January	**28,023,168**	19,963,337
Balance transferred from acquired	**-**	2,145,121
Charged for the year	**8,586,204**	5,935,111
Foreign exchange differences	**(21,958)**	(20,401)
Balance as at 31 December	**36,587,414**	28,023,168
Net book value		
As at 31 December	**15,866,041**	13,074,233

The amortization charged for the year has been allocated to the following items:

	2023	2022
Selling and marketing expenses (Note 23)	**7,420,662**	5,124,677
General and administrative expenses (note 24)	**1,165,542**	810,434
	8,586,204	5,935,111

7.B LONG-TERM LEASE LIABILITIES

Future minimum lease payments are due with the present value of minimum lease payments are as follows:

	2023	2022
Balance as at 1 January	**13,393,185**	11,787,033
Balance transferred from acquired	**-**	719,639
Interest expense (note 26)	**1,037,418**	623,611
Additions during the year	**11,382,832**	6,824,617
Payments during the year	**(10,191,615)**	(6,552,085)
Foreign exchange differences	**(5,012)**	(9,630)
Balance as at 31 December	**15,616,808**	13,393,185

(All amounts in Saudi Riyals unless otherwise stated)

7. LEASES (CONTINUED)

7.B LONG-TERM LEASE LIABILITIES (CONTINUED)

Lease liabilities are presented in the statement of financial position as follows:

	2023	2022
Current portion	**6,849,877**	5,079,750
Non-current portion	**8,766,931**	8,313,435
Total	**15,616,808**	13,393,185

The following is a list of maturities of the lease liabilities:

	2023	2022
Less than year	**7,922,317**	5,079,750
1-3 years	**6,272,726**	5,532,527
3-5 years	**1,421,765**	2,780,908
Total	**15,616,808**	13,393,185

The amounts recognized in the consolidated statement of profit or loss are as follows:

	31 December 2022	31 December 2023
Amortization expense for right-of-use assets (Note 23, 24)	**8,586,204**	5,935,111
Lease liabilities Finance (Note 26)	**1,037,418**	623,611
Short-term leases (Note 23, 24)	**1,917,038**	3,972,608
	11,540,660	10,531,330

- The Group's management believes that, there are no capital commitments related to short-term lease contacts that are disclosed in accordance with IFRS16 requirements, paragraph No. 55.
- The Group does not have any amounts held as insurance, and there are no options to extend or terminate contracts.

8. INTANGIBLE ASSEST

31 December 2023

	Software Licenses	**Leasehold Rights**	**Deposits**	**Total**
Cost:				
As at 1 January, 2023	**15,934,512**	**-**	**345,380**	**16,279,892**
Additions of acquired	**1,453,273**	**-**	**-**	**1,453,273**
Foreign exchange differences	**(14,356)**	**-**	**-**	**(14,356)**
Disposals	**(1,252,378)**	**-**	**(345,380)**	**(1,597,758)**
As at 31 December 2023	**16,121,051**	**-**	**-**	**16,121,051**
Amortization:				
As at 1 January, 2023	**14,460,893**	**-**	**345,380**	**14,806,273**
Charged for the year	**471,555**	**-**	**-**	**471,555**
Foreign exchange differences	**(14,270)**	**-**	**-**	**(14,270)**
Disposals	**(1,252,378)**	**-**	**(345,380)**	**(1,597,758)**
As at 31 December 2023	**13,665,800**	**-**	**-**	**13,665,800**
Net book value as at 31 December 2023	**2,455,251**	**-**	**-**	**2,455,251**

(All amounts in Saudi Riyals unless otherwise stated)

8. INTANGIBLE ASSEST, (CONTINUED)

31 December 2022

	Software Licenses	Leasehold Rights	Deposits	Total
Cost:				
As at 1 January, 2022	14,358,915	2,884,258	350,001	17,593,174
Additions of acquired	1,589,231	-	-	1,589,231
Foreign exchange differences	(13,634)	(38,080)	(4,621)	(56,335)
Disposals	-	(2,846,178)	-	(2,846,178)
As at 31 December 2022	15,934,512	-	345,380	16,279,892
Amortization:				
As at 1 January, 2022	12,791,811	2,884,258	350,001	16,026,070
Additions of acquired	1,266,075	-	-	1,266,075
Charged for the year	416,453	-	-	416,453
Foreign exchange differences	(13,446)	(38,080)	(4,621)	(56,147)
Disposals	-	(2,846,178)	-	(2,846,178)
As at 31 December 2022	14,460,893	-	345,380	14,806,273
Net book value as at 31 December 2022	1,473,619	-	-	1,473,619

- As at December 31, 2023, and 2022, the Group has no contractual commitments to acquire intangible assets.

9. DEFERRED TAX

9.1 The deferred tax is calculated in both Pan Gulf Marketing S.P.C. - Oman and Clips limited Company - Kenya, and the tax is presented at the applicable rate of 15% (2022: 15%) in accordance with the income tax law in the Sultanate of Oman. While in Kenya it is calculated at a rate of 30% (2022: 30%).

9.2 Calculation of deferred tax in Pan Gulf Marketing Company S.P.C. - Oman:
Deferred income tax is calculated on temporary differences related to the allowance for expected credit losses, the allowance for slow-moving inventory, and the difference between tax depreciation and accounting depreciation under the statement of financial position liability method using a tax rate. It is 15%. The deferred tax asset/liability in the statement of financial position and the deferred tax balance/deduction in the statement of profit or loss for the year.

9.3 Calculation of differed tax in Clips Limited Company - Kenya:
Deferred tax is fully calculated on all temporary differences under the liability method using a headline tax rate of 30% (2022: 30%).

The movement on the deferred tax account is as follows:

	2023		2022	
	Deferred tax assets	**In statement of profit or loss (net)**	Deferred tax assets	In statement of profit or loss (net)
Pan Gulf Marketing S.P.C Oman				
Deferred tax assets	**239,428**	**37,183**	202,245	140,629
Clips limited Company - Kenya				
Deferred tax assets	**398,681**	**122,445**	276,236	2,853
Total	**638,109**	**159,628**	478,481	143,482

(All amounts in Saudi Riyals unless otherwise stated)

10. INVENTORIES

	2023	2022
Finished goods	**186,471,965**	176,608,725
Goods in transit	**8,575,493**	24,407,485
	195,047,458	201,016,210
Less: Allowance of slow-moving inventory	**(11,778,649)**	(10,753,601)
	183,268,809	190,262,609

10.1 MOVEMENT IN ALLOWANCE FOR SLOW-MOVING INVENTORIES:

	2023	2022
Opening balance	**10,753,601**	7,771,874
Transferred from acquired	**-**	1,891,922
Charged for the year	**1,290,748**	1,112,964
Reversal	**(255,806)**	(13,515)
Foreign exchange differences	**(9,894)**	(9,644)
Closing balance	**11,778,649**	10,753,601

11. TRADE RECEIVABLES

	2023	2022
Trade Receivables	**121,434,586**	104,846,805
Allowance for Expected Credit Losses	**(9,146,351)**	(7,876,569)
	112,288,235	96,970,236

11.1 THE MOVEMENT IN ALLOWANCE FOR EXPECTED CREDIT LOSSES AS FOLLOWS:

	2023	2022
Opening balance	**7,876,569**	4,619,637
Transferred from acquired	**-**	2,101,924
Expected credit losses charged for the year	**1,318,158**	1,405,155
Used / reversals	**(45,281)**	(243,356)
Foreign exchange differences	**(3,095)**	(6,791)
Closing balance	**9,146,351**	7,876,569

- The information related to the allowance for expected credit losses for trade receivables is presented in Note No. (30).

12. RELATED PARTIES

12-1 RELATED PARTIES' TRANSACTIONS

12,1,1 The related parties of the Company consist of key management personnel and and associated companies controlled by shareholders. Pan gulf marketing company is controlled by AL-Hoshan Holding Company; therefore, all the group companies are considered related parties of the Company. The transactions with related parties are made on mutually agreed terms or on the terms approved by the Board of the Directors of the Company.

(All amounts in Saudi Riyals unless otherwise stated)

12. RELATED PARTIES (CONTINUED)

12-1 RELATED PARTIES' TRANSACTIONS (CONTINUED)

The following table provides the total amount of transactions that have been agreed with related parties for the relevant financial year:

Name of Related party	Relationship	Nature of Transaction	2023	2022
Al Hoshan Holding Company	Parent	Transfer financing	**7,543,583**	25,975,509
		Dividend	**5,500,000**	78,550,000
		End of service benefits	**1,196,641**	-
		Loaded shared services	**846,942**	1,058,262
		Settlements	**-**	2,755,614
Clips MED, Morocco	Affiliate	Fund Transfer	**-**	2,932,589
		Transfer balances to the parent company	**-**	3,791,064
Al-Wan Al-Khuwair Trading Co. LLC	Affiliate	Transfer balances to the parent company	**-**	23.764
Clips NAF Ltd, Tunisia	Affiliate	Transfer balances to the parent company	**-**	4,006,806
Asas Pan Gulf Real Estate Investment Company	Affiliate	Shared Services Charged	**1,884,336**	2,486,949
		Leases	**1,225,000**	1,225,000
		Fund Transfer	**659,336**	1,261,949
Remunerations of key management personnel		Short term employee benefits	**2,152,902**	1,894,154
		End of service benefits	**90,629**	215,385
		Allowances and remuneration for the Board of Directors and committees	**574,000**	

- The compensation balances of key management employees were disclosed in Note No. (19).

13. PREPAID EXPESNES AND OTHER CURRENT RECEIVABLES

	2023	2022
Prepayments	**8,092,839**	6,119,221
Marketing contributions from suppliers	**3,722,879**	3,915,345
Refundable deposits	**2,265,508**	1,907,223
Advances to suppliers	**999,343**	2,153,282
Other	**2,138,516**	1,972,177
	17,219,085	16,067,248

14. CASH AND CASH EQUIVALENTS

	2023م	2022م
Cash at bank	**9,901,675**	13,911,013
Cash on hand	**351,840**	456,156
	10,253,515	14,367,169

(All amounts in Saudi Riyals unless otherwise stated)

15. SHARE CAPITAL

On the date of 28 Jumada Al-Awwal 1444 H (corresponding to 22 December 2022), the shareholders decided to increase the company's capital from 10,000,000 Saudi riyals. To become 50,000,000 Saudi riyals through transfer from retained earnings in the amount of 23,822,406 Saudi riyals and using the entire capital balance.
The additional amount paid amounted to 16,177,594 Saudi riyals, and the legal procedures to amend the statute and commercial register were completed on 25 December 2022 and December 26, 2022 respectively.

The company's capital of 50,000,000 Saudi riyals is divided into 5,000,000 shares with a value of 10 Saudi riyals each. During the years 2022 and 2023, the ownership percentages of the company's capital were adjusted. The following are the names of the shareholders and their ownership percentage in the capital as at December 31, 2023:

Name of Shareholder	No. of Shares	Shareholding %	Value of Shares
Hoshan Commercial Investment Company	**4,000,000**	**%80**	**40,000,000**
Al Hoshan Real Estate Company	**1,000,000**	**%20**	**10,000,000**
	5,000,000	**100%**	**50,000,000**

16. STATUTORY RESERVE

On 19 Shawwal 1444H, corresponding to 10 May 2023, shareholders approved some amendments to the Company's articles of association to comply with the new applicable corporate law, including canceling the requirement for transfer to the statutory reserve. Shareholders also agreed at the same meeting to transfer the statutory reserve balance of SR 6,278,181 to retained earnings.

According to the amended articles of association of the Company, the Company has not formed a statutory reserve from the net profit for the year ending on 31 December 2023.

17. EMPLOYEES' POST- EMPLOYMENT BENEFITS

The following table summarizes the components of benefit expenses recognized in the consolidated statement of the financial position in addition to the amounts included in the consolidated statement of profit or loss and other comprehensive income.

End of service benefits are due to all employees working in accordance with the terms and conditions of the work system adopted by the Company and its subsidiaries, upon termination of their service contracts.

End of service benefits obligation for employees included in the consolidated statement of financial position:

	2023	2022
Balance at beginning of year	**21,540,743**	20,679,812
Transferred from the acquired companies	**-**	1,025,323
Current service cost	**2,613,795**	2,537,235
Interest cost	**490,650**	200,000
	3,104,445	2,737,235
Paid during the year	**(695,438)**	(1,347,705)
Transfer from \ to Related Party	**1,196,641**	19,262
Actuarial Gain	**65,783**	(1,533,444)
Currency translation differences	**(39,685)**	(39,740)
	25,172,489	21,540,743

(All amounts in Saudi Riyals unless otherwise stated)

17. EMPLOYEES' POST- EMPLOYMENT BENEFITS (CONTINUED)

Expenses in the consolidated statement of profit or loss and other comprehensive income:

	2023	2022
Service cost	**2,613,795**	2,537,235
Interest cost	**490,650**	200,000
	3,104,445	2,737,235

The following are the main assumptions used to determine the provision for employees' end of service benefits:

	2023	2022
Discount rate	**4.65%**	4.95%
Annual salary growth rate	**0% for the first two years and 2% there after**	0% for the first three years and 2% there after

Probable change in a related actuarial assumption with all other assumptions held constant could affect the provision for end of service benefits in the following amounts:

	2023		2022	
	Increase (1%)	**Decrease (1%)**	Increase (1%)	Decrease (1%)
Discount rate	**24,923,256**	**25,426,756**	21,327,468	21,758,326
Annual salary growth rate	**25,424,214**	**24,920,765**	21,756,150	21,325,336

The above sensitivity analysis above may not be representative of an actual change in provision for employees' end of service benefits as it is unlikely that changes in assumptions would occur in isolation of one another.

Following a table showing the expected maturity dates for employee defined benefit obligations.

	2023	2022
Less than one year	**3,844,092**	3,289,038
1 – 5 years	**14,391,909**	12,315,525
6 – 10 years	**9,287,748**	7,947,764
More than year	**15,238,635**	13,040,090
	42,762,384	36,592,417

The following is the current and non-current portion of the employee defined benefit obligation.

	2023	2022
Defined employee benefits obligations - current portion	**3,844,092**	3,289,488
Defined employee benefits obligations - non-current portion	**21,328,397**	18,251,255
	25,172,489	21,540,743

18. SHORT TERM BORROWINGS

	2023	2022
Banque Saudi Fransi	**106,198,000**	61,725,000
Alawwal Bank	**37,578,069**	30,650,000
Dubai Emirates National Bank	**10,001,748**	-
Al Rajhi Bank	**-**	55,124,000
	153,777,817	147,499,000
Accrued interest on loans	**2,946,679**	2,769,746
	156,724,496	150,268,746

(All amounts in Saudi Riyals unless otherwise stated)

18. SHORT TERM BORROWINGS (CONTINUED)

18.1 MOVEMENT IN SHORT TERM BORROWINGS IS AS FOLLOWS:

	2023	2022
Opening balance	**150,268,746**	150,547,061
Proceeds during the year	**387,197,526**	298,619,000
Payments during the year	**(380,918,709)**	(300,722,000)
Paid financing costs	**(13,880,534)**	(6,174,715)
Interest charged during the year	**14,057,467**	7,999,400
Closing balance	**156,724,496**	150,268,746

18.2 The total facilities provided by local banks amounted to SR 360 million as at 31 December 2023 (31 December 2022: SR 300 million). The group had unused bank facilities worth SR 177 million as at 31 December 2023 (2022: SR 153 million). All banking facilities are registered in the company's name (Through Gulf Marketing) and are used by the group's subsidiaries. These facilities are subject to a commission according to the prevailing market rates.

18.3 These bank facilities are guaranteed against a fine, performance and promissory notes by Fahd bin Ahmed bin Hamad Al-Hoshan, corporate guarantee from Messrs. / Al-Hoshan Holding Company, ASAS Pan Gulf Real Estate Investment Company and Al-Hoshan Commercial Investment Company S.P.C, and the company's waiver of some of the proceeds of the contracts concluded by the company and other guarantees according to for banking facilities contracts. The banking agreements include restrictions and financial pledges on the company related to dividends and net equity, in addition to restrictions on some other financial ratios specified in these agreements.

19. ACCRUED EXPENSES AND OTHER CURRENT LIABILITES

	2023	2022
Employees accruals	**7,375,192**	3,964,049
Value added tax	**2,491,352**	2,225,485
Customers due to discounts	**2,406,510**	2,988,426
Allowances and remuneration for the Board of Directors and committees (Note 12)	**574,000**	-
Accrued rent	**328,000**	339,999
Other	**1,038,531**	1,151,624
	14,213,585	10,669,583

20. ZAKAT AND INCOME TAX

Zakat charge:

Zakat charge is calculated based on consolidated financial statements of Parent Company Al Hoshan Holding Company and allocated to the companies consolidated in these financial statements. Movement of the Group's Zakat and income tax provisions for the year ended 31 December comprise of following:

	2023	2022
Balance as at beginning of the year	**960,288**	1,105,328
Allocation from acquired companies	**-**	217,656
Charge for the year	**2,980,665**	2,414,024
Paid during the year	**(2,168,134)**	(1,576,720)
Payment of zakat provision to parent company	**(1,200,000)**	(1,200,000)
Balance as at end of the year	**572,819**	960,288

(All amounts in Saudi Riyals unless otherwise stated)

20. ZAKAT AND INCOME TAX (CONTINUED)

Group's Zakat and income tax expenses

	2023	2022
Zakat and tax expenses for the year	**3,140,293**	2,557,505
Deferred tax	**(159,628)**	(143,481)
	2,980,665	2,414,024

Status of assessment

The parent company submits a single zakat declaration to the group based on the consolidated financial statements of the group and the consolidated zakat base and pays the zakat obligations accordingly. The Group's share of zakat for the year is estimated on the basis of the Group's standalone zakat base and charged to the consolidated statement of profit or loss and other comprehensive income. These estimates have been proportionately adjusted for the effect of consolidation, where appropriate.

For companies operating in the Kingdom of Saudi Arabia, the zakat declaration has been submitted to the Zakat, Tax and Customs Authority ("the Authority") for all years until 2022 and the final zakat certificate has been obtained until April 30, 2024.

The deferred tax arose from subsidiaries which operating in countries outside the Kingdom of Saudi Arabia and subject to the tax systems in those countries. The group's management believes that the accounting and tax differences are not significant at the group level.

21. REVENUE

The following is a breakdown of the revenue:

	2023	2022
Private sector	**399,973,472**	404,878,490
Government sector	**22,374,171**	10,526,609
	422,347,643	415,405,099

Revenue is recognized at a certain point in time, and the Group is considered principal in all sales transactions.

22. COST OF REVENUE

	2023	2022
Cost of goods sold	**276,833,526**	277,087,829
Customs duty charges	**3,590,027**	3,547,085
Transportation costs	**1,366,495**	1,687,502
Other	**3,783,106**	1,918,762
	285,573,154	284,241,178

23. SELLING AND MARKETING EXPENSES

	2023	2022
Employee costs	**46,799,666**	43,748,822
Amortization of right of use assets (note 7- A)	**7,420,662**	5,124,677
Sales commission	**7,135,647**	7,732,409
Advertising expense	**4,343,934**	4,974,395
Rents (note 7- B)	**1,567,280**	3,242,513
Depreciation of property and equipment (note 6)	**365,930**	-
Other	**3,968,522**	3,617,850
	71,601,641	68,440,666

(All amounts in Saudi Riyals unless otherwise stated)

24. GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
Employee costs	**11,622,014**	10,799,923
Repairs and maintenance	**2,436,228**	2,196,207
Depreciation and amortization (note 6, 8)	**1,276,788**	1,350,243
Amortization of right of use assets (note 7-A)	**1,165,542**	810,434
Utilities	**985,419**	949,039
Professional and advisory fees	**601,605**	735,848
Rents (note 7-b)	**349,758**	730,095
Communication	**569,466**	589,045
Insurance	**266,622**	339,303
Travel and transportation	**45,028**	31,731
Other	**3,225,062**	2,368,836
	22,543,532	20,900,704

25. OTHER REVENUES

	2023	2022
Gain from sales of property, and equipment	**67,104**	14,195
Other	**277,026**	358,409
	344,130	372,604

26. FINANCE COST

	2023	2022
Finance cost of loan facilities	**14,057,467**	7,999,400
Finance cost of lease liabilities (note 7-b)	**1,037,418**	623,611
Finance cost of end-of-service benefits	**490,650**	200,000
	15,585,535	8,823,011

27. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share have been calculated by dividing the income for the year attributable to shareholders of the company by the weighted average number of ordinary shares outstanding during the year. The diluted earnings per share is the same as the basic earnings per share since the Group does not have any dilutive instruments.

	2023	2022
Profit for the year	**22,837,565**	32,939,420
Weighted average number of issued shares	**5,000,000**	5,000,000
Basic and diluted earnings per share (SR)	**4.57**	6.58

28. CONTINGENCIES AND CAPITAL COMMITMENTS

a) As at 31 December 2023, the Group had outstanding bank letters of guarantee amounting to SR 24,796,210 (31 December 2022: SR 37,103,364) issued by local banks and related to performance guarantees.
b) As at 31 December 2023, the Group has outstanding bank letters of credit in the amount of SR 18,746,732 (31 December 2022: SR 28,344,256) issued against the purchase of certain goods and other supplies.
c) The group does not have capital commitments as at 31 December 2023 and 2022.

(All amounts in Saudi Riyals unless otherwise stated)

29. SEGMENTAL INFORMATION

Business segments are determined on the basis of internal reports that are presented to the CEO regularly to allocate resources to the segments and evaluate their performance (management approach). The management approach depends on the way management organizes business sectors within the group in order to make operational decisions and evaluate performance. At the end of each quarter, management reviews the sectors mentioned below regarding the quantities and characteristics of the presentation of revenues and expenses in those sectors.

The main activity of the company and its subsidiaries consists of importing, exporting, wholesale and retail trade in equipment, materials, furniture for offices and schools and their supplies, and therefore the group operates in one operational sector through a number of geographical sectors inside and outside the Kingdom of Saudi Arabia, and the following is the information related to the geographical sectors, which are regularly submitted to Group operating decision makers:

Geographical information

2023	Kingdom of Saudi Arabia	United Arab Emirates	Kuwait	Other	Total
Revenue	**150,321,285**	**113,786,095**	**59,152,211**	**99,088,052**	**422,347,643**
Net Profit Before Zakat and Income Tax	**(1,529,508)**	**10,469,619**	**7,879,650**	**8,998,469**	**25,818,230**
Total Assets	**114,228,357**	**99,920,464**	**40,429,327**	**92,055,563**	**346,633,711**
Total Liabilities	**205,387,364**	**33,962,148**	**9,208,828**	**22,937,669**	**271,496,009**
2022					
Revenue	146,872,416	112,172,514	55,607,701	100,752,468	415,405,099
Net profit before zakat and income tax	6,384,233	11,907,992	7,433,475	9,470,133	35,195,833
Total assets	95,982,203	113,538,981	38,053,088	88,732,051	336,306,323
Total liabilities	192,320,514	48,832,645	11,043,604	28,583,622	280,780,385

30. FINANCIAL INSTIRUMENTS AND RISK MANAGEMENT

The management has an overall responsibility for the establishment and oversight of the Group's risk management framework. The Management is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks encountered by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed

regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's principal financial liabilities comprise short term borrowings, accounts payables and due to related parties. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include accounts receivables, cash and cash equivalents, due from related parties and other receivable that derive directly from its operations.

The Group is exposed to credit risk, liquidity risk and market risk. The Group's senior management oversees the management of these risks. The Group's senior management advises on financial risks and the appropriate financial risk governance framework for the Group. The Group's senior management assures that the Group financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives.

30. FINANCIAL INSTIRUMENTS AND RISK MANAGEMENT (CONTINUED)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commission rates and equity prices will affect the Group's income or the value of its financial instruments. Market risk management aims to manage and control risk exposures within acceptable limits, while achieving an optimal return.

Market risk consists of three types of risks: currency risk, profit rate risk and other price risks.

Interest rate risk is exposure to various risks associated with the effect of fluctuations in prevailing interest rates on the Group's financial position and cash flows. The Group is exposed to interest rate risk on its interest-bearing assets and liabilities, which mainly consist of bank facilities and loans. The management limits interest rate risk by monitoring changes in interest rates. Management monitors changes in interest rates and believes that the Group's cash flow and interest rate risks on fair value are immaterial.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group is exposed to fluctuations in foreign exchange rates in the normal course of its business. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in currencies other than the currency of the Group's activities. The Group's exposure to foreign currency risk is primarily limited to transactions in Bahraini Dinars, Omani Rials, Kuwaiti Dinars and UAE Dirhams. Foreign exchange risk with respect to these currencies other than the Kuwaiti Dinar is limited as these currencies are pegged to the US Dollar. Fluctuations in exchange rates are constantly monitored.

Capital Management

The Board of Directors’ policy is to maintain enough capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors periodically monitor the return on capital and the level of dividends to the ordinary shareholders.

The Group seeks to the following when managing its capital:

1. Securing the ability of the company to continue as a working company by the continuous provision of returns to shareholders and interests to other stakeholders.

2. Providing enough return to shareholders.

Interest Rate Risk

Interest rate risk is exposure to various risks associated with the impact of fluctuations in prevailing interest rates on the company's financial position and cash flows. Management monitors changes in interest rates and believes that cash flow and interest rate risks on the fair value of the Company are immaterial.

The Company's receivables and payables carried at amortized cost are not subject to interest rate risk as defined in IFRS 7 as neither the carrying value nor the future cash flows change due to a change in market interest rates. Thus, the Company is not exposed to fair value interest rate risk.

Credit risk

Credit risk is the risk that the group will be exposed to a financial loss if a customer or third party fails to meet its contractual obligations and arises principally from the Group’s trade receivables and cash and cash equivalents. The fair value of financial assets represents the maximum exposure to credit risk.

(All amounts in Saudi Riyals unless otherwise stated)

30. FINANCIAL INSTIRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the business sector and country in which customers operate.

The Board of Directors has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, and in some cases bank references.

	2023	2022
Trade receivables	**112,288,235**	96,970,236
Cash and cash equivalent	**10,253,515**	14,367,169
	122,541,750	111,337,405

Balances with banks

Credit risk from bank balances and financial institutions is managed in accordance with the company's policy. The cash is primarily placed with local banks with good credit ratings (in the A+ to BBB+ range) similar to offshore credit rating companies such as Moody's and Finch. The Company does not consider itself exposed to concentrations of credit risk with respect to banks due to its solid financial position.

The following is the credit rating of the banks that the group deals with and their balances as at July 31, 2023:

Credit rating	**2023**	**2022**
BBB+	**699,545**	1,214,986
A-	**7,270,960**	10,723,508
A+	**1,930,648**	1,955,863
	9,901,153	13,894,357

Based on the analysis, the lifetime expected credit loss in respect of financial assets other than trade receivables as at the date of these consolidated financial statements was insignificant. Accordingly, no impairment loss was recognized during the year.

Trade receivable

Receivables are generally exposed to significant credit risk. Aging analysis of trade receivables, current and past due balances was as follows.

31 December 2023

Days past due	**Estimated total gross carrying amount at default**	**Expected credit loss**	**Expected credit loss rate**
0-90 Days	**91,706,555**	**1,100,525**	**1.20%**
91-180 Days	**14,882,284**	**593,223**	**3.99%**
180-270 Days	**4,215,462**	**335,607**	**7.96%**
270-360 Days	**2,592,605**	**462,037**	**17.82%**
360-450 Days	**1,286,061**	**375,274**	**29.18%**
450-540 Days	**1,063,902**	**591,968**	**55.64%**
Above 540 Days	**5,687,717**	**5,687,717**	**100%**
Total	**121,434,586**	**9,146,351**	**-**

(All amounts in Saudi Riyals unless otherwise stated)

30. FINANCIAL INSTIRUMENTS AND RISK MANAGEMENT (CONTINUED)

Trade receivable (Continued)

31 December 2022

Days past due	Estimated total gross carrying amount at default	Expected credit loss	Expected credit loss rate
0-90 Days	84,742,864	503,994	0.59%
91-180 Days	10,442,673	707,297	6.77%
180-270 Days	1,203,846	411,273	34.16%
270-360 Days	852,398	102,996	12.08%
360-450 Days	711,651	179,953	25.29%
450-540 Days	549,958	251,006	45.64%
Above 540 Days	6,343,414	5,720,050	90.17%
Total	104,846,804	7,876,569	-

Trade receivables are shown net of allowance for impairment of trade receivables and sales returns. The Group applies the simplified approach of IFRS 9 to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure expected credit losses, trade receivables are grouped on the basis of common credit risk characteristics and the days when they are due. Historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors that affect customers' ability to settle receivables. The Group determines the GDP, inflation rate and interest rate of the countries to which it sells its goods and services to be the most relevant factors and accordingly adjusts historical loss rates based on expected changes in these factors.

Cash and cash equivalents

The Company’s bank balances are placed with reputable local banks having sound credit ratings. The Company believes that it would be able to realize its balances from these banks without any loss to the Company.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group’s approach to managing liquidity is to ensure, as far as possible, that it will always have enough liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following is undiscounted contractual maturity for the financial liabilities of the Group as at 31 December

31 December 2023	**Less than one year**	**1 to 3 years**	**3 to 5 years**	**Total contractual maturity**
Trade payables	**58,019,022**	**-**	**-**	**58,019,022**
Short term borrowings	**156,724,496**	**-**	**-**	**156,724,496**
Accrued expenses and other current liabilities	**14,213,585**	**-**	**-**	**14,213,585**
Contract liabilities	**1,176,790**	**-**	**-**	**1,176,790**
Zakat and income tax	**572,819**	**-**	**-**	**572,819**
Lease liabilities	**8,586,185**	**6,443,300**	**1,959,354**	**16,988,839**
	239,292,897	**6,443,300**	**1,959,354**	**247,695,551**

(All amounts in Saudi Riyals unless otherwise stated)

30. FINANCIAL INSTIRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk (Continued)

31 December 2022	Less than one year	1 to 3 years	3 to 5 years	Total contractual maturity
Trade payables	80,222,563	-	-	80,222,563
Short term borrowings	147,499,000	-	-	147,499,000
Accrued expenses and other current liabilities	16,278,583	-	-	16,278,583
Contract liabilities	886,023	-	-	886,023
Zakat and income tax	960,288	-	-	960,288
Lease liabilities	6,084,767	6,120,944	4,246,286	16,451,997
	251,931,224	6,120,944	4,246,286	262,298,454

31. FAIR VALUE MEASUREMENT

Fair value is the price that would be received from sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Consequently, differences can arise between the carrying values and fair value estimates.

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level I: quoted prices in active markets for the identical instrument (i.e., without modification or restructuring);

Level II: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level III: valuation techniques for which any significant input is not based on observable market data.

The fair value measurement is based on the presumption that the transaction takes place either:

- In the accessible principal market for the asset or liability, or
- In the absence of a principal market, in the most suitable market available for asset or liability.

The fair values of financial instruments are not materially different from the carrying values included in the consolidated financial statements. The fair values of assets and liabilities are not significantly different from the carrying values, since the current market commission rates for similar financial instruments are not significantly different from the contracted rates nor from the short duration of these financial instruments.

(All amounts in Saudi Riyals unless otherwise stated)

32. NON-CASH TRANSACTIONS

	2023	2022 (Note 34)
Additions of right-of-use assets against lease liabilities	**11,382,832**	6,824,617
Settlement of the end-of-service balance transferred from a related party in against for dividends	**1,196,641**	-
Increase capital through additional capital and retained earnings	**-**	40,000,000
Closing the balance of dividends to related parties	-	52,574,491
Employee benefits paid through related parties	-	19,226
Right-of-use assets resulting from the acquisition	-	(43,650)
Additions of property and equipment resulting from the acquisition	-	196,289
Additions of intangible assets resulting from the acquisition	-	303,900
Deferred tax as a result of the acquisition	-	273,053
Prepaid expenses and other current receivables resulting from the acquisition	-	279,191
Inventories as a result of the acquisition	-	14,505,000
Trade receivables resulting from the acquisition	-	24,458,853
Accrued expenses resulting from the acquisition	-	2,839,254
Trade payables resulting from the acquisition	-	(14,618,427)
Provision for employee benefits resulting from the acquisition	-	(1,024,807)

33. DIVIDENDS

On 11 June 2023, the company's shareholders approved the distribution of dividends in the amount of SR 5,500,000, amounting to SR 1.1 per share for the year ending on 31 December 2023, and on 21 December 2022, they approved the distribution of 78,550,000, amounting to SR 15.71 per share for the year ending on 31 December 2022.

34. COMPARATIVE FIGURES

During the year 2023, the management determined an amendment to the comparative figures for the year ending on 31 December 2022, in addition to reclassifying certain comparative figures. The impact of the amendments and reclassification is represented in the following items:

Consolidated statement of financial position:

	31 December 2022 (Before reclassification)	**Amount of restatement**	**Amounts of reclassification**	**31 December 2022 (After reclassification)**	**Comment**
Retained earnings	648,320	2,839,254	-	3,487,574	Difference in balances between group companies and elimination entries for the year 2022 at the level of the consolidated financial statements.
Accrued expenses and other current liabilities	16,278,583	(2,839,254)	(2,769,746)	10,669,583	Reclassification of accrued financing costs into short-term loans
Short term loans	147,499,000	-	2,769,746	150,268,746	

(All amounts in Saudi Riyals unless otherwise stated)

34. COMPARATIVE FIGURES (CONTINUED)

Consolidated statement of profit or loss and other comprehensive income

	31 December 2022 (Before reclassification)	Amounts of reclassification	31 December 2022 (After reclassification)	Comment
General and administrative expenses	21,100,704	(200,000)	20,900,704	Reclassifying interest on employees' end-of-service benefits obligations into financing costs
Financing costs	8,623,011	200,000	8,823,011	

Consolidated statement of changes in equity

	31 December 2022 (Before reclassification)	Amounts of reclassification	31 December 2022 (After reclassification)	Comment
Transferred from acquired companies (note 1-2)	28,137,539	2,839,254	30,976,793	Difference in balances between group companies and elimination entries for the year 2022 at the level of the consolidated financial statements
Retained earnings	648,320	2,839,254	3,487,574	

Consolidated statement of cash flows

	31 December 2022 (Before reclassification)	Amounts of reclassification	31 December 2022 (After reclassification)	Comment
Financing costs	623,611	8,199,400	8,823,011	Addition of full amount of financing costs to net profit.
Accrued expenses and other current liabilities	7,478,099	1,824,685	5,653,414	Excluding accrued and unpaid financing costs.
Cash flows from investing activities	1,971,964	(3,808,137)	(1,836,173)	Re-presenting the amount of cash from acquired companies in a separate item with changes in cash and cash equivalents during the year.

35. SUBSEQUENT EVENTS

- Subsequent to the end of the year, 600,000 shares of the company's shares were listed and traded in the parallel market (Numu), after the approval of the Board of Directors of the Capital Market Authority on 12 Rabi' al-Awwal 1445H (corresponding to 27 September 2023) of the company's request to register its shares and offer 600,000 shares, which It represents 12% of the company's shares. The company's bylaws and commercial register were amended on 23 Shaaban 1445H (corresponding to 4 March 2024) after the Company became listed on Saudi financial market.

- On 4 Ramadan 1445H (corresponding to 14 March 2024), the company's Board of Directors recommended to the Extraordinary General Assembly to approve an increase in the company's capital from (SR 50,000,000) to (SR 75,000,000) by granting (1) free share for every (2) share. The number of shares will increase from (5,000,000) shares to (7,500,000) shares, owned by shareholders registered in the Company's records on the day of the assembly, provided that the proposed increase in capital is covered by capitalizing an amount of (SR 25,000,000) from retained earnings, which represents 50% of the Company's capital.

36. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on 4 Ramadan 1445H (14 March 2024).