SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY

(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

together with the

Independent Auditor's Report

KPMG Professional Services
Roshn Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
واجهة روشن، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Saudi Company for Hardware SACO (A Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of **Saudi Company for Hardware SACO** (the "Company") and its subsidiary (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of 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 IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

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

Key Audit Matters

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

Independent Auditor's Report (Continued)

To the Shareholders of Saudi Company for Hardware SACO (A Saudi Joint Stock Company) (Continued)

Key Audit Matter (continued)

Assessing impairment of the Goodwill – See note (3) to the consolidated financial statements for the accounting policy relating to goodwill and impairment of non-financial assets and note (7) for the related disclosures.

The key audit matter	How the matter was addressed in our audit
At 31 December 2023, the Group has a goodwill amounting to Saudi Riyals 22,4 million, which arose from the business combination through the acquisition of the subsidiary, Medscan Terminal Company Limited, in 2016. The management performs impairment assessments related to this goodwill, at least annually. In performing such impairment assessment, management compares the carrying value of cash-generating unit ("CGU") (Medscan Terminal Company Limited) to which goodwill had been allocated with their respective recoverable amount, being the higher of fair value less costs of disposal and value in use, to determine if any impairment loss should be recognized. The recoverable amount of the identified CGU was determined based on Value-In-Use ("VIU") calculations based on discounted cash flows forecasts. These calculations employ a discounted cashflow (DCF) model, by using cashflow projections based on financial budgets approved by the management covering a five-year period. The Group's VIU calculations for the CGU includes significant judgement and assumptions relating to cashflow projections, and the discount rates, and is highly sensitive to the changes in these assumptions. We considered impairment of goodwill as a key audit matter, as the assessment includes certain significant assumptions and involves an element of uncertainty.	Among other things, our procedures included the following: - evaluating the assumptions adopted in the preparation of the cash flows forecasts for the purpose of the impairment assessment of the goodwill, including projected future growth rates for income and expenses, with reference to our understanding of the business, historical trends and available industry information and available market data; - involving our valuation specialists to assist us in evaluating the appropriateness of methodology and discount rates used by management in the preparation of its discounted cash flows forecasts; - comparing the cash flows forecast prepared at the end of last year for the purpose of impairment assessment with the actual performance of the business for the current year and make enquiries of management as to the reasons for any significant variations identified, to assess whether the judgement made by management in the preparation of the cash flow forecasts in the prior year indicated possible management bias; - Performing our own sensitivity analysis which included assessing the impact of changes in the key assumptions, adopted in the discounted cash flow forecasts on the conclusions reached in the impairment assessment and assessing whether there were any indicators of management bias in the selection of these assumptions; and - Considering the adequacy of the related disclosures made by the management in the Group's consolidated financial statements.

Independent Auditor's Report (Continued)

To the Shareholders of Saudi Company for Hardware SACO (A Saudi Joint Stock Company) (Continued)

Key Audit Matter (continued)

Impairment assessment of non-financial assets other than goodwill – See note (3) to the consolidated financial statements for the accounting policy relating to the impairment of non-financial assets and notes (5) and (6) for the related disclosures.

The key audit matter	How the matter was addressed in our audit
As at December 31, 2023, the carrying value of the property and equipment and the right-of-use assets amounted to Saudi Riyals 324 million (2022: Saudi Riyals 364.1 million) and Saudi Riyals 249 million (2022: Saudi Riyals 343.9 million), respectively. The Group recorded a total impairment loss of SR 3 million (2022: Saudi Riyals 10.2 million) against property and equipment and SR 5.2 million (2022: Saudi Riyals 19.5 million) against right-of-use assets to the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2023. Management has determined that each individual store and E-commerce are separate cash generating units. Management reviews the performance of each cash generating unit at the end of each reporting period to identify if there is any indication that assets may be impaired. Where indicators of impairment are identified, management performs impairment assessment on the recoverable amount of non-financial assets other than goodwill which is determined on a store-by-store basis and E-commerce at the greater of the value in use and the fair value less costs of disposal of these assets. The recoverable amount of identified CGUs was determined based on Value in use. In determining the value in use of individual CGU, a discounted cash flow forecast is prepared and key inputs, including future revenue growth rates, future margins, future costs and expenses of each CGU and discount rates are determined by management. We considered impairment of non-financial assets other than goodwill as a key audit matter because the assessment includes certain significant assumptions and involves an element of uncertainty.	Among other things, our procedures included the following: • Assessing the design and implementation of management's key internal controls which govern the process around assessing potential impairment of non-financial assets other than goodwill; • Assessing management's identification of the CGUs and the allocation of assets to the CGUs for the purposes of the impairment assessment; • Assessing the management's processes in identifying the indicators of impairment; • Comparing the significant assumptions used in stores and E-commerce discounted cash flow forecasts prepared in the prior year with the current year's performance to assess the reliability of management's forecasting process and enquiring of management for any significant variations identified; • Evaluating the significant assumptions used in the discounted cash flow forecasts, including future revenue growth rates, future margins and future costs and expenses, by considering the historical performance of the Group, budgets approved by management, and lease agreements signed; • Performing sensitivity analyses on the key assumptions, including weighted average cost of capital ('WACC'), used in the discounted cash flow forecast and assessing whether there were any indicators of management bias in the selection of these assumptions. • Using our internal valuation specialists to assist us in evaluating the appropriateness of methodology and discount rates used by management in the preparation of its discounted cash flow forecasts.; and • Considering the adequacy of the related disclosures made by the management in the Group's consolidated financial statements.

Independent Auditor's Report (Continued)

To the Shareholders of Saudi Company for Hardware SACO (A Saudi Joint Stock Company) (Continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will 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 when it becomes available 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.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws 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 continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Audit Committee, 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.

Independent Auditor's Report (Continued)

To the Shareholders of Saudi Company for Hardware SACO (A Saudi Joint Stock Company)
(Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional 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.
- 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required 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 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 the direction, supervision and performance of the 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 of Saudi Company for Hardware SACO and its subsidiary.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

KPMG Professional Services

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ترخيص رقم ٤٦
س.ت ١٠١٠٤٢٥٤٩٤
Lic No. 46
C.R. 1010425494
R : 2
KPMG
KPMG Professional Services

Hani Hamza Bedairi
License Number: 460

Riyadh on: 29 Sha'ban 1445H

Corresponding to: 10 March 2024

SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINACIAL POSITION
AS AT 31 DECEMBER 2023
(ALL AMOUNTS ARE IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	Note	**2023**	2022
ASSETS			
Non-current assets			
Right of use assets	5	**248,984,885**	343,906,518
Property and equipment	6	**324,015,551**	364,120,834
Intangible assets and Goodwill	7	**71,569,354**	80,126,699
Investments at fair value through other comprehensive income	8	**8,889,559**	8,889,559
Due from a related party	31	**-**	4,503,575
Total non-current assets		**653,459,349**	801,547,185
Current assets			
Inventories	9	**406,323,695**	474,235,088
Accounts receivable, net	10	**43,717,827**	26,950,531
Prepayments and other receivables, net	11	**22,695,564**	25,632,574
Due from a related party	31	**5,468,625**	1,286,735
Cash and cash equivalents	12	**13,043,548**	24,497,449
Total current assets		**491,249,259**	552,602,377
Total assets		**1,144,708,608**	1,354,149,562
EQUITY AND LIABILITIES			
Equity			
Share capital	1	**360,000,000**	360,000,000
Treasury shares	1	**(516,057)**	-
Statutory reserve	20	**24,504,713**	24,504,713
(Accumulated losses) / retained earnings		**(40,871,108)**	28,637,003
Change in fair value reserve	21	**629,107**	629,107
Total equity		**343,746,655**	413,770,823
Non-current liabilities			
Non-current portion of long-term borrowings	14	**25,000,000**	45,000,000
Employees end of service benefit obligation	15	**36,484,874**	39,487,347
Lease liabilities	13	**274,617,699**	374,565,050
Total non-current liabilities		**336,102,573**	459,052,397
Current liabilities			
Short term borrowings	14	**20,000,060**	57,752,461
Current portion of long-term borrowings	14	**20,000,000**	20,000,000
Accounts and notes payable	16	**223,918,480**	172,467,631
Current portion of lease liabilities	13	**63,644,780**	72,634,795
Accrued expenses and other liabilities	17	**125,423,523**	142,213,417
Zakat payable	18	**11,648,954**	16,034,455
Dividends payable	19	**223,583**	223,583
Total current liabilities		**464,859,380**	481,326,342
Total liabilities		**800,961,953**	940,378,739
Total equity and liabilities		**1,144,708,608**	1,354,149,562

Chief Financial Officer   Chief Executive Officer   Chairman of Board of Director

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

SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS ARE IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	Note	**2023**	2022
Revenue	22	**930,119,458**	1,136,538,153
Cost of revenue	24	**(817,839,740)**	(1,039,186,900)
Impairment loss on non-financial assets	5,6	**(8,184,895)**	(29,735,366)
Gross profit		**104,094,823**	67,615,887
Selling and marketing expenses	25	**(20,525,574)**	(39,666,088)
General and administrative expenses	26	**(130,072,808)**	(138,871,844)
(Expected)/ reversed credit losses	10	**(1,991,966)**	3,170,925
Operating loss		**(48,495,525)**	(107,751,120)
Other income		**8,422,012**	10,936,311
Finance cost	27	**(25,964,796)**	(32,636,897)
Loss before zakat		**(66,038,309)**	(129,451,706)
Zakat	18	**(2,927,294)**	(13,049,280)
Net loss for the year		**(68,965,603)**	(142,500,986)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of employees' end of service benefit obligation	15	**(542,508)**	1,518,216
Net changes in the fair value of investments carried at FVOCI	21	**-**	(1,433,253)
Total comprehensive loss for the year		**(69,508,111)**	(142,416,023)
Loss per share (SR)			
Basic and diluted losses per share attributable to the equity shareholders of the Group	*28*	(1.92)	(3.96)
Weighted average number of shares		35,998,422	36,000,000

Chief Financial Officer | Chief Executive Officer | Chairman of Board of Directors

SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS ARE IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	Share capital	Treasury Shares	Statutory reserve	(Accumulated losses) /retained earnings	Change in fair value reserve	Total
Balance as at 1 January 2022	360,000,000	-	24,504,713	169,619,773	2,062,360	556,186,846
Loss for the year	-	-	-	(142,500,986)	-	(142,500,986)
Other comprehensive income	-	-	-	1,518,216	(1,433,253)	84,963
Total comprehensive loss for the year	-	-	-	(140,982,770)	(1,433,253)	(142,416,023)
Balance as of 31 December 2022	**360,000,000**	**-**	**24,504,713**	**28,637,003**	**629,107**	**413,770,823**
Balance as on 1 January 2023	**360,000,000**	**-**	**24,504,713**	**28,637,003**	**629,107**	**413,770,823**
Loss for the year	-	-	-	(68,965,603)	-	(68,965,603)
Other comprehensive loss	-	-	-	(542,508)	-	(542,508)
Total comprehensive loss for the year	**-**	**-**	**-**	**(69,508,111)**	**-**	**(69,508,111)**
Purchase of Treasury Shares	**-**	**(516,057)**	**-**	**-**	**-**	**(516,057)**
Balance as of 31 December 2023	**360,000,000**	**(516,057)**	**24,504,713**	**(40,871,108)**	**629,107**	**343,746,655**

Chief Financial Officer

Chief Executive Officer

Chairman of Board of Directors

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

SAUDI COMPANY FOR HARDWARE SACO AND ITS SUBSIDIARY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023
(ALL AMOUNTS ARE IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	Note	**2023**	2022
Cash flows from operating activities:			
Loss before zakat		**(66,038,309)**	(129,451,706)
Adjustments to reconcile loss before zakat to net cash flows from operating activities:			
Interest on borrowings and bank charges	27	**6,405,739**	6,199,931
Interest on lease liabilities	27	**19,559,058**	26,436,965
Depreciation and amortization	6,7	**50,023,177**	51,221,832
Depreciation of right-of-use assets	5	**57,269,720**	68,380,724
Loss on disposal of property and equipment		**6,004,496**	2,974,567
Gain on lease modification		**(13,950,823)**	(6,185,277)
Impairment loss on non-financial assets		**8,184,895**	29,735,366
Loss from shrinkage and inventory shortages		**34,381,267**	5,437,193
(Reversal)/ allowance of provision for slow moving inventory and inventory shortages	9	**(44,980,290)**	38,477,431
Lease concession – IFRS16	5	**-**	(2,292,125)
Expected/ (reversed) credit losses		**1,991,966**	(3,170,925)
Provision for employees end of service benefit obligations	15	**6,449,270**	7,198,085
Changes in working capital:			
Inventories		**78,510,416**	172,682,428
Accounts receivable, net		**(18,759,262)**	9,068,294
Prepayments and other receivables, net		**2,937,010**	12,229,443
Accounts and notes payable		**51,450,849**	(37,232,846)
Accrued expenses and other liabilities		**(21,929,937)**	(22,228,288)
Due from a related party, net		**321,685**	643,368
Cash generated from operations		**157,830,927**	230,124,460
Zakat paid	18	**(7,312,795)**	(10,213,930)
Finance cost paid		**(6,191,247)**	(5,464,347)
Employees' end of service benefit obligation paid	15	**(9,994,251)**	(8,145,846)
Net cash from operating activities		**134,332,634**	206,300,337
Cash flows from investing activities			
Purchase of property and equipment	6	**(10,890,115)**	(41,244,361)
Proceed from disposal of property and equipment		**2,423,258**	5,305,315
Purchase of intangible assets	7	**(1,924,388)**	(28,573,714)
Net cash used in investing activities		**(10,391,245)**	(64,512,760)
Cash flows from financing activities			
Change in short-term borrowings, net		**(37,752,401)**	(42,617,787)
Repayment of long-term borrowings		**(20,000,000)**	(14,826,123)
Payment of lease liabilities		**(77,126,832)**	(75,366,648)
Returns / dividends		**-**	25,741
Purchase of Treasury Shares	1	**(516,057)**	-
Net cash flows used in financing activities		**(135,395,290)**	(132,784,817)
Net change in Cash and cash equivalents during the year		**(11,453,901)**	9,002,760
Cash and cash equivalents at the beginning of the year	12	**24,497,449**	15,494,689
Cash and cash equivalents at the end of the year	12	**13,043,548**	24,497,449

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

(ALL AMOUNTS ARE IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	Note	**2023**	2022
Significant non-cash transaction:			
lease liabilities		**(42,732,289)**	(139,240,979)
Right-of-use asset		**(52,136,800)**	153,467,204
Reclassification from intangible assets to right-of-use assets		-	702,357
Reassessment of lease liabilities	13	-	102,999,435
Reassessment of right-of-use assets	5	-	(102,999,435)
Disposal of Capital Work in Progress		-	12,433,215
Change in related party balance due to cancellation of Jeddah contract		-	(6,433,680)
Fair value remeasurement gain of FVOCI	8	-	(1,433,253)

Chief Financial Officer | Chief Executive Officer | Chairman of Board of Directors

(All amounts are in Saudi Riyals unless otherwise stated)

1 GENERAL INFORMATION

Saudi Company for Hardware SACO (the "Company") is a Saudi joint stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010056595 issued in Riyadh on 26 Safar 1405H (corresponding to 19 November 1984). The Capital Market Authority (the "CMA") announced on 5 Jumada al-Alkhirah 1436H (corresponding to 25 March 2015) the CMA's board decision to approve the launch of 7,200,000 shares in the Company's initial public offering which represents 30% of the total shares of the Company's 24,000,000 shares. The Company's shares were listed in the Saudi Stock Market ("Tadawul") on 23 Rajab 1436H (corresponding to 12 May 2015).

As of 31 December 2023, the Company's share capital was SR 360 million divided into 36 million shares of SR 10 each (31 December 2022: SR 360 million divided into 36 million shares of SR 10 each).

On 1 November 2023, the members of the Board of Directors approved the purchase of 350,000 of Company's shares with reference to the minutes of the extraordinary general assembly held on 14 June 2023, which included shareholders' approval to purchase 350,000 shares of Company's stock and retain them as treasury shares.

During November 2023 the Company purchased 17,945 shares.

Movement in the treasury shares balance for the year is as follows:

	2023	2022
At the beginning of the year	**-**	-
Purchased during the year	516,057	-
At the end of the year	**516,057**	**-**

The Company is principally engaged in retailing and wholesaling of household and office supplies and appliances, construction tools and equipment, and electrical tools and hardware.

The registered address of the Company is P.O. Box 86387, Riyadh 11622, Kingdom of Saudi Arabia.

The accompanying consolidated financial statements include the financial statements of the Company and its 32 leased stores (31 December 2022: 33 stores) located in various cities in the Kingdom of Saudi Arabia, one franchisee store located in Tabuk and the following subsidiary:

		Effective ownership percentage		
Subsidiary name	**Country**	**31 December 2023**	31 December 2022	**Activities**
Medscan Terminal Company Limited	Kingdom of Saudi Arabia	**100%**	100%	Transportation and logistics

Medscan Terminal Company Limited (the "Company") is a single Shareholder limited liability Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 2050006757 dated 6 Rabi' al-Awwal 1399H (corresponding to 3 February 1979) issued in Dammam. The address of the head office of the Company is P.O. 825, King Abdulaziz Sea Port, Dammam 31421, Kingdom of Saudi Arabia. The Company's main activities are Transportation of goods and other tasks, port handling services, trans-shipment services, warehouse management and maintenance, and customs clearance services.

(All amounts are in Saudi Riyals unless otherwise stated)

1 GENERAL INFORMATION (CONTINUED)

The Company and its subsidiary are referred to hereinafter in the notes to the financial statements as ("the Group"). The Group operates through the following branches:

Stores	**Region**	**Date of CR**	**Commercial registration No.**
Takhassoussi	Riyadh	27/08/1431H	1010293034
Hamra	Riyadh	14/04/1420H	1010154852
Badiaa	Riyadh	19/11/1430H	1010276497
Rimal	Riyadh	23/06/1431H	1010289426
Khurais	Riyadh	22/07/1417H	1010144072
Northern Ring Road	Riyadh	08/07/1425H	1010201062
Alia Plaza	Riyadh	06/06/1435H	1010409935
Al Thaagar Plaza	Riyadh	16/04/1436H	1010430261
King Abdullah Branch	Riyadh	04/07/1407H	1010065245
Buraydah	Qasim	13/04/1426H	1131020838
Andalous	Jeddah	10/01/1415H	4030104324
Tahlia	Jeddah	10/02/1409H	4030061896
Prince Sultan Road	Jeddah	15/03/1431H	4030198058
Al Sawary Mall	Jeddah	06/06/1435H	4030268514
Medina Al Mounawara Branch	Medina Al Mounawara	23/06/1428H	4650039295
Yanbu Branch	Yanbu	19/11/1442H	4700113968
Dammam Branch	Dammam	28/05/1416H	2050030529
Dhahran Branch	Dhahran	14/11/1420H	2052000780
Al Ahsa Branch	Al Ahsa	20/01/1421H	2252026146
Jazan Branch	Jazan	16/04/1436H	5900031715
Hail Branch	Hail	16/04/1436H	3350043304
Onayzah Branch	Qasim	29/04/1437H	1128019513
Al Kharj Branch	Al Kharj	22/11/1437H	1011024139
Damman	Dammam	14/01/1439H	2050113956
Skaka	Aljouf	01/09/1439H	3400116314
Jubail Branch	Jubail	19/08/1441H	2055125472
Dareen Mall	Dammam	25/11/1440H	2050128050
Khamis Mushait	Khamis Mushait	19/01/1442H	5855348645
Al Jama	Jeddah	10/07/1441H	4030379378
Makkah	Makkah	17/02/1442H	4031252274
Al Taif	Al Taif	20/01/1440H	4032229985
Hafouf	Hafouf	02/05/1442H	2251498092
Workshop			
Workshop Center	Riyadh	27/08/1431H	1010293034

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of assessing the impact of the New Companies Law and will amend its By-Laws for any changes to align the Articles to the provisions of the Law. Consequently, the Company shall present the amended Articles of By-Laws to the shareholders in their Extraordinary/Annual General Assembly meeting for their ratification.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention and accrual basis of accounting, except for the following items included in the consolidated statement of financial position:

- Investments carried at fair value through other comprehensive income are measured at fair value.
- The employees' end of service benefit obligation is measured at the present value of the future liability using the expected unit credit method.
- Lease liabilities are measured at the net present value of the lease payments.

2.3 Functional currency and presentation currency

These consolidated financial statements are presented in SAR, which is the Company's functional currency. All amounts are in Saudi Riyals unless otherwise stated.

2.4 Basis of consolidation

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss and other comprehensive income.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquirer's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquirer's awards and the extent to which the replacement awards relate to pre-combination service.

2 BASIS OF PREPARATION (CONTINUED)

2.4 Basis of consolidation (continued)

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 December 2023 and collectively referred to as ("the Group"). Control is achieved when the Group is exposed or has rights to 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 if, and only if, 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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
• The contractual arrangement(s) with the other vote holders of the investee
• Rights arising from other contractual arrangements
• The Group's voting rights and potential voting rights

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

The financial statements of subsidiary are prepared for the same reporting period as the Group. When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies in line with the Group's accounting policies.

<u>Non- Controlling interest ("NCI")</u>

For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

<u>Loss of control</u>

When the Group losses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

2.5 New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements. These amendments are not expected to have a significant impact on the group's consolidated financial statements.

a- Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants (Amendments to IAS 1)

The amendments, as issued in 2020 and 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and require new disclosures for non-current liabilities that are subject to future covenants. The amendments apply for annual reporting periods beginning on or after 1 January 2024.

b- **Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)**
The amendments introduce new disclosures relating to supplier finance arrangements that assist users of the financial statements to assess the effects of these arrangements on an entity's liabilities and cash flows and on an entity's exposure to liquidity risk. The amendments apply for annual periods beginning on or after 1 January 2024.

c- **Other standards**
The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

— Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).

— Lack of Exchangeability (Amendments to IAS 21).

3 Material accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise .
In addition, the Group adopted the Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of "material", rather than "significant", accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in certain instances.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any, except freehold land and capital work in progress which are stated at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items, including borrowing costs. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributed to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. Where major components of an item of property and equipment have different useful lives, they are accounted for as sperate items of property and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Disposal of asset is recognized when significant risks and rewards incidental to ownership have been transferred to buyers. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'Other income' in the consolidated statement of profit or loss and other comprehensive income.

The cost of property and equipment is depreciated over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, the repair and maintenance program and technological obsolescence arising from changes and the residual value. The management has not considered any residual value as it is deemed immaterial.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The assets' residual values and useful lives are reviewed, and adjusted prospectively if appropriate, at the end of each reporting period, where major components of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.
Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets, net of their residual values, over their estimated useful lives as follows:

Asset	Years
Buildings	30
Vehicles	4
Computer hardware	2 to 4
Tools and equipment	4 to 7
Furniture and fixtures	2.5 to 20

Leasehold improvements are being amortized on the straight-line basis over the shorter of useful life or lease period.
Capital work-in-progress is stated at cost less impairment losses, if any, and is not depreciated until the asset is brought into commercial operations and available for intended use.

Land is not subject for depreciation.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Intangible assets
Intangible assets other than goodwill are measured at cost, less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight-line basis over the estimated useful lives from 2 to 7 years. Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and amount can be measured reliably. Intangible assets' residual values, useful lives and impairment indicators are reviewed at each reporting period and adjusted prospectively, if considered necessary.

Goodwill
Goodwill is measured on acquisitions of subsidiaries and is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit .

Any impairment loss for goodwill is recognized directly in the Consolidated Statement of Profit or Loss. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment of non-financial assets
Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (Continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used such as valuation multiples (including earnings multiples), quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed projections which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These forecasts generally cover a maximum period of five years or less if only reliable forecasts for a period of less than five years can be prepared for specific CGUs. long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

Group (as a lessee) leasing activities and how these are accounted for
The Group leases various offices, warehouses, retail stores, equipment and vehicles. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. For leases where the Group is a lessee, see note 5.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, the management generally considers certain factors including historical lease durations and the costs and business disruption required to replace the leased asset. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices .

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life .

Assets and liabilities arising from a lease are initially measured on a present value basis.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Group leasing activities and how these are accounted for (continued)

i. Right-of-use assets are measured at cost comprising the following :
- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received.
- any initial direct costs; and
- restoration costs

Right-of-use assets are subsequently measured at cost less accumulated depreciation.

ii. Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security, and conditions.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise small items mainly relating to equipment and vehicles.

Currently the Group is involved in leasing activities as lessor. When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Financial instruments

Financial assets

The Group classifies its financial assets in the following measurement categories :
- •those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- •those to be measured at amortized cost .

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows .

For assets measured at fair value, gains and losses will either be recorded in consolidated profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the financial assets at fair value through other comprehensive income (FVOCI).

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

The Group initially recognizes financial assets on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument .

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial asset that is created or retained by the Group is recognized as a separate asset or liability.

The Group has the following financial assets:

- *Financial Assets at Amortized Cost*

Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI") are measured at amortized cost. A gain or loss on a debt investment subsequently measured at amortized cost and not part of a hedging relationship is recognized in the Consolidated Statement of Profit or Loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- *Financial Assets at FVOCI*

Financial assets held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognized in the Consolidated Statement of Profit or Loss. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI, is reclassified from equity to the Consolidated Statement of Profit or Loss and recognized in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/expense.

Financial liabilities

Financial liabilities are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. Financial assets and liabilities are offset, and the net amount is presented in the Consolidated Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group classifies financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities of the Group comprise of bank borrowings and trade and other payables.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Impairment of financial assets

The Group assesses on a forward-looking basis the Expected Credit Losses ("ECL") associated with its debt instruments as part of its financial assets, carried at amortized cost and FVOCI.

For accounts receivable, the Group applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Group and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate.

- *Definition of default*

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

• when there is a breach of financial covenants by the debtor; or
• information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 360 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

- *Write off policy*

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Other financial assets such as employees' receivables, bank balances have low credit risk and the impact of applying ECL is immaterial.

For some trade receivables the Group may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement .

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Cash and cash equivalents

For the purpose of consolidated statement of financial position, cash and bank balances include bank balances and deposits with original maturities of three months or less, if any.

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

Employees' benefits

Short-term and other long-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave, and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long – term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Employees end of service obligation

For defined end of service benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Re-measurement, comprising actuarial gains and losses is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Re-measurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:
• service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
• net interest expense or income; and
• re-measurement.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Employees' benefits (continued)

Curtailment gains and losses are accounted for as past service costs.

The employees end of service benefit obligations recognized in the statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Foreign currencies transactions

Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').
Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognized in profit or loss.

Transactions and balances
Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognized in other comprehensive income.

Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Borrowings are removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged, cancelled, or expired. Borrowings 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 period.

Borrowing cost

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period that is required to complete and prepare the asset for its intended use or sale. 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 expensed in the period in which they are incurred.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue
The Group recognizes revenues from contracts with customers based on a five-step model as set out in IFRS (15) as follows :

Step 1: Identify contract(s) with a customer: 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 performance obligations in the contract: 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. Allocate the transaction price to the performance obligations in the contract: 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. Recognize revenue when (or as) the Group satisfies a performance obligation.

The accounting policies for the Group's revenue from contracts with customers are outlined below:

Sale of goods – Wholesale
The Group sells hardware, electronic equipment, furniture, household items, etc. in the wholesale market directly to Wholesale customers. Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Sale of goods – Retail
The Group operates a chain of retail stores selling hardware, electronic equipment, mobile phones, furniture, household items, etc. Revenue from the sale of goods is recognized when the Group sells a product to the customer .

Payment of the transaction price is due immediately when the customer purchases the product and takes delivery in store. It is the Group's policy to sell its products to the end customer with a right of return within 7 days. Therefore, a refund liability (included in trade and other payables) and a right to the returned goods (included in other current assets) are recognized for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level. Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue (continued)

The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

Sale of goods – customer loyalty program
The Group operates a loyalty program "My Rewards", where retail customers accumulate points for purchases made which entitle them to discount on future purchases, subject to a minimum number of points is obtained. A contract liability for the award points is recognized at the time of the initial sale transaction. Revenue is recognized when the points are redeemed or when they expire 12 months after the initial sale. Revenue for points that are not expected to be redeemed is recognized in proportion to the pattern of rights exercised by customers. A contract liability is recognized until the points are redeemed or expire .

Rendering of services
- Revenue from logistic services is recognized when the services are completed and invoiced to the customers.

- Revenue from services from delivery, installation and maintenance of items sold to customers recognized when the services are completed and invoiced to the customers.

Financing components
The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money

Cost of revenue

Costs of revenue principally comprise the cost of goods sold, which include direct labor, landed costs of merchandise sold, showroom lease rent, staff costs and depreciation.

Vendor Contributions
The Group receives considerations from suppliers for various programs such as volume incentives, markdowns, margin protection and progress support. The considerations received from suppliers are accounted for as a reduction of the cost of sales.

Expenses

Selling and marketing expenses principally comprise of costs incurred in the marketing of the Group's products. All other expenses are classified as general and administration expenses.

General and administration expenses comprise direct and indirect costs, including other expenses related to the main warehouses, not specifically part of cost of revenue. Allocations between general and administration expenses, selling and marketing expenses and cost of revenue, when required, are made on a consistent basis.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:
- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

Inventories

Inventories are valued at lower of cost and net realizable values after making allowance for any obsolete or slow-moving items. The cost of finished goods is determined on a weighted average costs basis.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Inventories (continued)
Cost comprises purchase cost and, where applicable, direct costs and those overheads that have been incurred in bringing the inventories to their present location and condition. The cost of the inventory comprises the invoice price and an appropriate portion of freight, insurance customs duty and handling charges. Goods in transit are valued on an actual invoice cost basis.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Provision is made, when necessary, for obsolete, slow moving, and defective stocks.

Allowance is made, where necessary for slow moving inventories. Cost of inventories is recognized as an expense and included in cost of sales.

Dividends

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

Accounts and notes payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year, which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method. Notes payable represent bills of exchange to finance working capital.

Zakat
The Group is subject to the regulations of the Zakat, Tax and Customs Authority (ZATCA) in the Kingdom of Saudi Arabia. The provision is charged to the consolidated statement of profit or loss and other comprehensive income. The zakat charge is computed on the Saudi shareholders' share of the zakat base or adjusted net income whichever is higher. Additional amounts, if any, that may become due on finalization of an assessment are accounted for in the year in which assessment is finalized. The Company and its subsidiary are subject to withholding tax on transactions with non-resident parties in the Kingdom of Saudi Arabia in accordance with income tax requirements.

Value Added Tax
Expenses and assets are recognized net of the amount of Value Added Tax ("VAT"), except when receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the ZATCA is included as part of receivables or payables in the consolidated statement financial position.

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer (Chief Operating Decision Maker) which in the Group's case is to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.
Segment results that are reported to the Group's Chief Operating Decision Maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing :

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares .

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account :

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

4 MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTION

The preparation of consolidated financial statements requires management to make judgment, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Group's accounting policies, management has made the following estimates and judgments, which are significant to the consolidated financial statements:

4 MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTION (CONTINUED)

JUDGMENTS

Information about judgements made in applying accounting policies that have the most significant effects on the amount recognized in the consolidated financial statements is included in the following notes:

Note 6: Property and equipment useful lives
Note 7: Goodwill- annual impairment testing of goodwill.
Note 8: Investment at fair value through (OCI) - classification of equity accounted investees.
Note 9: Inventories
Notes 5&13: Determine lease term

- Management carried out an impairment test for its non-financial assets during the reporting year ended December 31, 2023, as events and changes in circumstances indicated that the carrying amount of certain of the Group's cash generating units ("CGU") may not be recoverable, for which management has considered both internal and external information for indicators of impairment. Management used the discounted cash flow model to determine the recoverable amount of the respective CGU. Management identifies each of its retail stores as a separate CGU and E-commerce. Management determines that the recoverable amount of each CGU is its value in use. Management used a discount rate of 10.40%. in estimating the value in use. The outcome of such impairment test resulted in an impairment loss for certain CGU's which has been recorded in the accompanying consolidated financial statements.

- When the fair values of financial assets recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques (refer to Note 32) that include the use of valuation models, assumptions, and inputs. The fair value of the investment in ACE Hardware International Holdings has been estimated using the approaches of discounted cash flows and of price-to-book value.

(All amounts are in Saudi Riyal unless otherwise stated)

5 RIGHT-OF-USE ASSET

	Properties	**Vehicles**	**Land**	**2023**	Properties	Vehicles	Land (*)	2022
Net book value								
At the beginning of the year	**343,906,518**	-	-	**343,906,518**	530,150,899	612,726	130,050,243	660,813,868
Additions	-	-	-	-	23,334,297	-	-	23,334,297
Disposal (**)	**(52,136,800)**	-	-	**(52,136,800)**	(39,682,680)		(136,416,462)	(176,099,142)
Lease modification	**(2,511,751)**	-	-	**(2,511,751)**	-	-	-	-
Reassessment (***)	-	-	-	-	(102,999,435)	-	-	(102,999,435)
Depreciation expense for the year	**(57,269,720)**	-	-	**(57,269,720)**	(67,767,998)	(612,726)	-	(68,380,724)
Accumulated Depreciation on Disposal	**22,155,334**	-	-	**22,155,334**	20,417,260	-	6,366,219	26,783,479
Impairment charge for the year (****)	**(5,158,696)**	-	-	**(5,158,696)**	(19,545,825)	-	-	(19,545,825)
Net book value								
At the end of the period/year	**248,984,885**	-	-	**248,984,885**	343,906,518	-	-	343,906,518

(*) The Group signed a lease contract (Dated 18 February 2020) with effective date on 2 March 2020 to lease a parcel of land in Jeddah city for a total amount of SR 194 million which consists of 22 annual unequal payments started 1 April 2020. This parcel of land was handed over to the Group on 3 January 2021. This parcel of land is partially owned by Samaual Taha Bakhsh (a related party). The Group accordingly recognized a right of use asset and related lease liability to account for this lease.

In March 2022, The Group's board of directors decided to terminate the above-mentioned lease contract. Accordingly, the management signed a lease termination agreement on 15 May 2022 which resulted in a derecognition of the related right-of-use assets amounting to SR 136 million and lease liability amounting to SR 136 million.
According to the lease termination agreement, the Group is entitled to recover all costs and expenses incurred in connection with aforementioned lease contract from the lessor. As at 31 March 2022, the Group had a receivable balance of SR 6.4 million from the lessor to be received over a period of three years. (Refer to Note 6 and Note 13).
(**) During the year, a number of contract leases have been terminated and /or modified changing the payment structure to be variable which resulted in a derecognition of the related right-of-use assets amounting to SR 52.1 million and lease liability amounting to SR 43.3 million (Refer to Note 13).

(All amounts are in Saudi Riyals unless otherwise stated)

5 RIGHT-OF-USE ASSET (CONTINUED)

(***) There is no reassessment during the year ended 31 December 2023, however, the Group's Real Estate Committee decided on 1st of April 2022, not to use the renewal option for certain contracts. Accordingly, the Group's management has recalculated the right of use assets and the obligations for lease liabilities. This resulted in a decrease in the right of use assets of SR 103 million and a decrease in the lease liabilities of SR 103 million.
(****) Management performed an impairment assessment of the cash generating units to identify that any impairment may exist at the end of each financial year.

During the year ended 31 December 2023, management tested the stores to determine whether impairment exists or not. The management determined that the carrying value of certain stores was higher than its recoverable amount by SR 8.2 million for the year ended 31 December 2023 (2022: SR 29.7 million). In the absence of the binding agreement to sell the assets and active reference market on which the fair value can be determined, the recoverable amount of the CGU has been determined based on the value in use. The recoverable amount was determined based on the value-in-use calculation and is corresponding to the present value of the future cash flows expected to be obtained from the cash-generating units. The management relied on its previous experience taking into consideration the market indicators and used a discount rate estimated based on the weighted average cost of capital.

The Group operates mainly through retail and E-commerce sectors; accordingly, the Group has determined two types of cash-generating units, which is the 32 stores (please refer to note 1) and E-commerce cash generating unit.

The value in use was used to arrive at the recoverable amount and is as follows:

	2023	2022
Value in use	**17,972,254**	59,263,424
Carrying value	**(26,157,149)**	(88,998,790)
Impairment loss on non-financial assets	**8,184,895**	29,735,366

Impairment charged during the year is allocated as follows:

	2023	2022
Right Of Use Assets	**5,158,696**	19,545,825
Property and equipment	**3,026,199**	10,189,541
	8,184,895	29,735,366

The recoverable amount has been determined based on actual value and the discounted future cash flows. The WACC rate was 10.40%. Based on the impairment test, recoverable amounts of certain stores were lower than their carrying amounts as of 31 December 2023. The impairment loss on these stores is SR 8.2 million.
An increase/decrease in the WACC rate by 1% for the stores will lead to an increase/(decrease) in the impairment of SR 126,150, (SR 515,509), respectively.

(All amounts are in Saudi Riyals unless otherwise stated)

6 PROPERTY AND EQUIPMENT

Cost	**Land**	**Buildings**	**Leasehold improvements**	**Furniture and fixtures**	**Computer hardware**	**Vehicles**	**Tools and equipment**	**Capital work-in-progress**	**Total**
January 1, 2022	49,588,405	87,177,136	276,586,284	124,216,637	34,885,846	38,785,032	47,423,745	86,074,429	744,737,514
Additions	-	7,573,309	10,096,691	16,458,847	2,308,914	1,991,922	2,626,206	188,472	41,244,361
Disposals (*)	-	-	(5,308,758)	(2,631,537)	(10,348)	(1,879,864)	(698,379)	(16,927,218)	(27,456,104)
Transfers	-	56,367,240	10,470,576	415,002	560,506	-	348,566	(68,633,042)	(471,152)
December 31, 2022	49,588,405	151,117,685	291,844,793	138,458,949	37,744,918	38,897,090	49,700,138	702,641	758,054,619
Additions	-	1,314,493	1,907,880	2,407,400	471,106	2,045,900	846,130	1,897,206	10,890,115
Disposals	-	-	(17,842,137)	(670,841)	(26,717)	(979,381)	(5,803,569)	-	(25,322,645)
Transfers	-	-	-	(48,393)	48,393	-	50,000	(50,000)	-
December 31, 2023	**49,588,405**	**152,432,178**	**275,910,536**	**140,147,115**	**38,237,700**	**39,963,609**	**44,792,699**	**2,549,847**	**743,622,089**
Accumulated depreciation and impairment									
January 1, 2022	-	17,593,375	165,558,913	70,907,848	27,454,252	30,289,356	39,164,531	-	350,968,275
Depreciation charge	-	3,657,372	19,535,440	10,771,202	3,327,217	1,856,447	3,058,810	-	42,206,488
Disposals(*)	-	-	(5,312,992)	(1,832,320)	(10,346)	(1,619,205)	(655,653)	-	(9,430,516)
Impairment charge for the year	-	-	10,189,541	-	-	-	-	-	10,189,541
December 31, 2022	**-**	**21,250,747**	**189,970,902**	**79,846,730**	**30,771,123**	**30,526,598**	**41,567,688**	**-**	**393,933,788**
Depreciation charge	-	4,721,817	16,537,555	11,053,844	3,418,102	1,295,359	2,606,903	-	39,633,580
Disposals	-	-	(9,889,760)	(479,236)	(17,263)	(979,369)	(5,621,401)	-	(16,987,029)
Impairment charge for the year (**)	-	-	3,026,199	-	-	-	-	-	3,026,199
December 31, 2023	**-**	**25,972,564**	**199,644,896**	**90,421,338**	**34,171,962**	**30,842,588**	**38,553,190**	**-**	**419,606,538**
Net book value as at									
December 31, 2023	**49,588,405**	**126,459,614**	**76,265,641**	**49,725,777**	**4,065,738**	**9,121,022**	**6,239,508**	**2,549,847**	**324,015,551**
December 31, 2022	**49,588,405**	**129,866,938**	**101,873,891**	**58,612,219**	**6,973,795**	**8,370,492**	**8,132,450**	**702,641**	**364,120,834**

Capital work-in-progress as at December 31, 2023 and 2022 represents fixed asset purchases and cost of stores under construction / renovation.

Depreciation charged for the year ended 31 December is allocated as follows:

	2023	2022
Cost of revenue	**27,618,248**	31,974,121
General and administrative expenses	**12,015,332**	10,232,364
	39,633,580	42,206,486

(All amounts are in Saudi Riyal unless otherwise stated)

6 PROPERTY AND EQUIPMENT (CONTINUED)

(*) As disclosed in Note 5, the Group's board of directors decided to derecognize the previously capitalized depreciation of the right of use of land and interest expense of the lease liability related to the construction under progress of the terminated lease agreement amounting to Saudi Riyals 6.4 million and Saudi Riyals 4.5 million respectively (Refer to Note 5 and Note 31).

(**) During the year ended December 31, 2023. the Group recorded an impairment charge included in the consolidated statement of profit or loss and other comprehensive income within "Impairment loss on non-financial assets" and allocated to leasehold improvements amounting to Saudi Riyal 3.03 million (December 31, 2022: SR 10.2 million) as a result of the low financial performance of certain retail stores, refer to Note 5.

7 INTANGIBLE ASSETS AND GOODWILL

	Software licenses	Goodwill	Others (*)	Total
Cost				
January 1, 2022	81,277,390	22,377,889	1,325,942	104,981,221
Additions	28,102,561	-	-	28,102,561
Disposal / reclassification	(2,666,324)	-	(1,325,942)	(3,992,266)
Transfer	471,153	-	-	471,153
December 31, 2022	107,184,780	22,377,889	-	129,562,669
Additions	1,924,388	-	-	1,924,388
Disposal	(199,853)	-	-	(199,853)
Transfer	-	-	-	-
December 31, 2023	**108,909,315**	**22,377,889**	-	**131,287,204**
Amortization				
January 1, 2022	40,959,258	-	534,920	41,494,178
Amortization	8,926,682	-	88,665	9,015,347
Disposal	(449,970)	-	(623,585)	(1,073,555)
December 31, 2022	**49,435,970**	-	-	**49,435,970**
Amortization	10,389,597	-	-	10,389,597
Disposal	(107,717)	-	-	(107,717)
December 31, 2023	**59,717,850**	-	-	**59,717,850**
Net book values as at				
December 31, 2023	**49,191,465**	**22,377,889**	-	**71,569,354**
December 31, 2022	**57,748,810**	**22,377,889**	-	**80,126,699**

* Others included an amount of Saudi Riyals 1.3 million paid as a lease payment to a previous tenant to acquire possession of leasehold land located in King Abdulaziz Port in Dammam. This amount and the related amortization have been reclassified to the right of use assets and related depreciation as required by IFRS 16.

(All amounts are in Saudi Riyals unless otherwise stated)

7 INTANGIBLE ASSETS AND GOODWILL(CONTINUED)

Allocation of amortization charge is as follows:

	2023	2022
Cost of revenue	**6,834,368**	4,166,104
General and administration expenses	**3,555,229**	4,849,243
	10,389,597	9,015,347

Goodwill

On 23 Safar 1438H (corresponding to November 23, 2016), the Group acquired Medscan Terminal Company Limited (Medscan) as 100% owned subsidiary.

The goodwill is related to the acquisition of Medscan and is monitored by the management at the level of only one cash-generating unit (Medscan).

	2023	2022
Medscan Terminal Company Limited	**22,377,889**	22,377,889

The management carried out an impairment exercise in respect of goodwill. The impairment test carried out was based on a discounted cash flow analysis (DCF) which utilized the most recent five-year business projections prepared by the Group's management. The results of this exercise did not result in any impairment loss to be recognized. Management determined forecast sales growth and gross margin based on past performance and market developments.

Terminal value is calculated using free cash flow to the CGU and Gordon Growth Model for the final year of the forecasted period.

Key assumptions used in value in use calculations

The calculation of value in use is most sensitive to the following assumptions:

Discount rate	10.4%
Sales volume (Annual Growth Rate)	3.25%
Long term growth rate	2.1%

The management has determined the value assigned to each of the above key assumptions as follows:

Discount rate

Reflect specific risks relating to the relevant segment and the country in which it operates.

Sales volume (Annual Growth Rate)

Average Annual Growth Rate over the five-year forecast period, based on past performance and management's expectations of market development.

(All amounts are in Saudi Riyals unless otherwise stated)

7 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Long term growth rate
This is the average growth rate used to extrapolate cash flows beyond the five-year forecast period.

Sensitivity to changes in assumptions

The recoverable amount of this CGU would equal it carrying amount if the key assumptions were to change as follows:

	2023		2022	
	From	**To**	From	To
Discount rate	**10.4%**	**13.04%**	10.15%	11.09%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

If the long-term growth rate applied to the cash flow projections of this CGU had been 0.5% lower than management's estimates (1.6% instead of 2.1%), this would not cause the carrying amount of the CGU to exceed its recoverable amount.

The management has considered and assessed reasonably possible changes of Annual Growth Rate and Long-Term Growth Rate and have not identified any instances that could cause the carrying amount of the CGU to materially exceed its recoverable amount.

In the prior year, there were no reasonably possible changes in any of the key assumptions that would have resulted in an impairment write-down in CGU.

8. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

	2023	2202
ACE Hardware International Holdings, Ltd	**8,889,559**	8,889,559
Percentage of shareholding	**2.3%**	2.3%
Number of shares	**22,022**	22,022

ACE International Hardware Holdings, Ltd (AIH) is a limited liability company incorporated under the laws of Bermuda. The company is a majority-owned and controlled subsidiary of ACE Hardware Corporation with a non-controlling interest owned by its international customers.

(All amounts are in Saudi Riyals unless otherwise stated)

8. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI) (Continued)

The Group has designated its investment in AIH at fair value through other comprehensive income. The fair value of the investment as at 31 December is as follows:

	Fair value as at		**Net changes in the fair value for the year ended 31 December**	
	31 December 2023	31 December 2022	**2023**	2022
Unquoted investment				
ACE Hardware International Holdings	**8,889,559**	8,889,559	-	(1,433,253)

Movement during the year is as follows:

	31 December 2023	31 December 2022
Beginning balance	**8,889,559**	10,322,812
Net changes in the fair value	**-**	(1,433,253)
Closing balance	**8,889,559**	8,889,559

As at 31 December 2023, management assessed the fair value of the investments at fair value through other comprehensive income being equal to the carrying amount. (2022 lower than the carrying amount by an amount of SR 1,433,253).

9. INVENTORIES

	2023	2022
Merchandise in stores and warehouses	**405,141,166**	525,941,732
Goods-in-transit	**41,226,512**	31,592,485
Merchandise on consignment	**7,231,918**	6,953,119
Packing, wrapping and consumable	**2,344,114**	4,348,057
	455,943,710	568,835,393
Allowance for slow moving items and inventory shortages	**(49,620,015)**	(94,600,305)
	406,323,695	474,235,088

Movement in allowance for slow moving items and inventory shortages is as follows:

	2023	2022
January 1	**94,600,305**	66,188,834
(Reversed) / provided during the year (Note 24)	**(44,980,290)**	38,477,431
Utilize during the year	**-**	(10,065,960)
December 31	**49,620,015**	94,600,305

Allowance for slow moving items and inventory shortage is determined based on the Group's policy and other factors affecting the obsolescence of inventory items. An evaluation of inventories, designed to identify potential losses, is performed by the management on regular intervals. Management uses estimates based on the best available facts and circumstances including, but not limited to, evaluation of inventory items' age and obsolescence. During the year 2023 shrinkage amounting to SAR 34.4 million was written off directly from the inventory (2022: SAR 5.4 million).

(All amounts are in Saudi Riyals unless otherwise stated)

10. ACCOUNTS RECEIVABLE,NET

	2023	2022
Accounts receivable – trade	**44,812,428**	26,930,129
Accounts receivable – others	**2,626,137**	1,749,174
Allowance for Expected credit loss	**(3,720,738)**	(1,728,772)
	43,717,827	26,950,531

Trade and other receivables are non-interest bearing and are generally on 30 -120 days terms. As at December 31, the ageing analysis of trade and other receivables is as follows:

	Balance	**Neither past due nor impaired**	**Less than 60 days**	**61-90 days**	**91-180 days**	**181-365 days**	**More than one year**
December 31, 2023	**47,438,565**	**22,714,784**	**12,714,535**	**2,479,570**	**3,387,419**	**4,921,843**	**1,220,415**
December 31, 2022	28,679,303	16,373,973	7,107,628	1,318,240	2,079,599	587,228	1,212,635

Movement in impairment loss on financial assets:

	2023	2022
Balance at the beginning of the year	**1,728,772**	8,797,743
Provided/(reversed) during the year	**1,991,966**	(3,170,925)
Write off	**-**	(3,898,046)
Balance at the end of the year	**3,720,738**	1,728,772

11. PREPAYMENTS AND OTHER RECEIVABLES, NET

	2023	2022
Prepaid expenses	**15,255,544**	18,935,567
Advance payments to suppliers and employees	**8,843,315**	7,917,816
Others	**3,114,832**	3,297,318
	27,213,691	30,150,701
Allowance for prepayments and other assets	**(4,518,127)**	(4,518,127)
	22,695,564	25,632,574

The movement in the impairment of prepayments and other receivables is as follows:

	2023	2022
Balance at the beginning of the year	**4,518,127**	4,518,127
Provision during the year	**-**	**-**
Balance at the end of the year	**4,518,127**	4,518,127

12. CASH AND CASH EQUIVALENTS

	2023	2022
Cash on hand	**300,499**	803,192
Bank balances	**12,743,049**	23,694,257
	13,043,548	24,497,449

(All amounts are in Saudi Riyals unless otherwise stated)

13. LEASE LIABILITIES

	2023	2022
Balance at the beginning of the year	**447,199,845**	755,798,655
Additions	**-**	22,631,940
Disposal (*)	**(43,332,289)**	(161,872,919)
Lease modification	**(2,511,751)**	
Reassessment (**)	**-**	(102,999,435)
Interest on lease liabilities for the year (Note 27)	**19,559,058**	26,436,965
Payments during the year	**(77,726,832)**	(75,366,648)
Transfer to lease liabilities due not yet paid (Note 17)	**(4,925,552)**	(15,136,590)
Lease Concession for the year	**-**	(2,292,123)
Balance at the end of the year	**338,262,479**	447,199,845

* The disposal for year 2022 includes what was disclosed in Note 5, the Group's board of directors decided in the period ended 31 March 2022 to terminate the lease contract related to the leased land parcel in the city of Jeddah and signed a lease termination agreement which resulted in a derecognition of the related lease liability amounting to SR 136 million.

During the year, a number of contract leases have been terminated and /or modified changing the payment structure to be variable which resulted in a derecognition of the related right-of-use assets amounting to SR 52.1 million and lease liability amounting to SR 43.3 million.

** As disclosed in Note 5, there is no reassessment during the year ended 31 December 2023, however based on the meeting of the Real Estate Committee on 1st of April 2022, it was confirmed that the management will not use the renewal option for some contracts. Based on this, the Group's management has recalculated the right of use assets and the obligations for lease liabilities. This resulted in a decrease in the right of use assets of SR 103 million and a decrease in the lease liabilities of SR 103 million.

Lease liability balance consists as follows:

	2023	2022
Lease liabilities undiscounted principal payments	**(404,037,948)**	544,911,400
Unamortized interest	**65,775,469**	(97,711,555)
	338,262,479	447,199,845

Analyzed as:

	2023	2022
Current portion	**63,644,780**	72,634,795
Non-current portion	**274,617,699**	374,565,050
	338,262,479	447,199,845
Lease due not yet paid (Note 17)	**4,925,552**	15,136,590

The Group does not face a significant liquidity risk regarding its liabilities. Lease liabilities are monitored within the Group's treasury function.

All leases insurance and maintenance costs are being incurred by the Group. No purchase option in any lease contract.

(All amounts are in Saudi Riyals unless otherwise stated)

14. BORROWINGS

	2023	2022
Short-term borrowings	**20,000,060**	57,752,461
Current portion of long-term borrowings	**20,000,000**	20,000,000
Non-current portion of long-term	**25,000,000**	45,000,000
Total borrowings	**65,000,060**	122,752,461

Maturity profile of non-current portion of long-term borrowings is as follows:

	2023	2022
- Later than 1 year	**20,000,000**	20,000,000
- Later than 2 years but not more than 5	**5,000,000**	25,000,000
	25,000,000	45,000,000

The Group has credit facilities amounting to Saudi Riyal 263 million from various local banks. Such facilities comprise short and long-term borrowings, letters of credit and guarantee and notes payable for bills of exchange to finance working capital, investments, and capital expenditures. These facilities, which are in form of Murabaha and Tawarroq financing, bear financial charges at prevailing market rates based on Saudi lnter-bank Offer Rate ("SIBOR"). The facilities are secured by order notes payable on demand equivalent to the total value of the facilities.

Borrowings contain certain covenants. A future breach of covenants may lead to renegotiation. The covenants are monitored on a monthly basis by Management, in case of potential breach, actions are taken by the management to ensure compliance. The Group has complied with these covenants of its borrowing facilities as of 31 December 2023.

For the above borrowing, the fair value is not materially different from the carrying amount, since the interest payable on those borrowing is either close to current market rates or the borrowings are of a short-term nature.

Net debt reconciliation

An analysis of net debt and the movements in net debt for each of the periods presented.

	2023	2022
Cash and cash equivalents	**13,043,548**	24,497,449
Borrowings	**(65,000,060)**	(122,752,461)
Lease liabilities	**(338,262,479)**	(447,199,845)
Net debt	**(390,218,990)**	(545,454,857)

Net debt reconciliation

	Other assets	Liabilities from Financing activities		
	Cash and cash equivalents	**Borrowings**	**Lease liabilities**	**Total**
Net debt as at January 1, 2022	15,494,689	(180,196,371)	(757,798,655)	(920,500,337)
New leases	-	-	(22,631,940)	(22,631,940)
Adjustments	-	-	238,435,387	238,435,387
Other changes	-	-	2,292,125	2,292,125
Net cash flows	9,002,760	57,443,910	90,503,238	156,949,908
Net debt as at December 31, 2022	**24,497,449**	**(122,752,461)**	**(447,199,845)**	**(545,454,857)**
Adjustments	-	-	26,284,982	26,284,982
Net cash flows	(11,453,900)	57,752,401	82,652,384	128,950,885
Net debt as at 31 December 2023	**13,043,548**	**(65,000,060)**	**(338,262,479)**	**(390,218,991)**

(All amounts are in Saudi Riyals unless otherwise stated)

15. EMPLOYEES' BENEFITS – DEFINED BENEFIT OBLIGATION

Movement in employees' benefits – defined benefits obligations recognized in the statement of financial position is as follows:

	2023	2022
Balance at 1 January	**39,487,347**	41,953,324
Current service cost	**5,097,681**	5,927,926
Interest cost	**1,351,589**	1,270,159
Actuarial loss (gain) on the obligation (OCI)	**542,508**	(1,518,216)
Benefits paid during the year	**(9,994,251)**	(8,145,846)
Balance at 31 December	**36,484,874**	39,487,347

Benefit expense recognized in profit or loss

	2023	2022
Current service cost	**5,097,681**	5,927,926
Interest cost	**1,351,589**	1,270,159
	6,449,270	7,198,085

Significant assumptions used in determining the post-employment defined benefit obligation includes the following:

	2023	2022
Discount rate	**4.5%**	4.1%
Future salary increases rate	**2.5%**	1.5%

Sensitivity analyses

The sensitivity analysis of the quantitative effect of assumptions for change in salaries and the discount rate on defined benefit obligations is as follows:

	2023		2022	
	1% increase	**1% decrease**	1% increase	1% decrease
Discount rate	**(3,362,815)**	**1,998,462**	(4,611,881)	1,139,320
Future salary increases rate	**2,268,958**	**(3,684,133)**	1,399,333	(4,931,643)

The sensitivity analysis above has been undertaken based on a method that extrapolates the impact on the employees' defined benefits obligations as a result of reasonable changes in key assumptions occurred at the end of the reporting date. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the employee defined benefits obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

Expected total undiscounted benefit payments are as follows:

2023	2022
35,942,366	41,005,559

(All amounts are in Saudi Riyals unless otherwise stated)

16. ACCOUNTS AND NOTES PAYABLE

	2023	2022
Accounts payable- trade	**194,536,756**	151,323,608
Accounts payable-other	**13,362,478**	20,437,059
Notes payable	**16,019,246**	706,964
	223,918,480	172,467,631

The average credit period on purchases of goods is 30 - 120 days. No interest is charged on the trade payables outstanding balance. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

17. ACCRUED EXPENSES AND OTHER LIABILITIES

	2023	2022
Accrued expenses	**40,392,111**	46,421,249
Employee related liabilities	**18,525,855**	20,566,049
Gift cards and vouchers	**32,947,655**	19,483,363
Accrued rentals	**10,940,969**	22,490,928
Value Added Tax	**5,192,738**	11,261,880
Lease liabilities due not yet paid (Note 13)	**4,925,552**	15,136,590
Contract liability – Advances from customers	**4,073,914**	4,612,402
Others	**8,424,729**	2,240,956
	125,423,523	142,213,417

(All amounts are in Saudi Riyal unless otherwise stated)

18. ZAKAT

The Group is subject to zakat according to the instructions of the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia. The Group submits its zakat returns uniformly starting from 1 January 2017 and onwards. This includes the Company and its subsidiary because the Group is a single economic entity owned and managed by the Company.

Calculation of adjusted net profit

	2023	2022
Loss before zakat	**(66,038,309)**	(129,451,706)
Provisions	**16,626,131**	65,344,918
Adjusted net loss	**(49,412,178)**	(64,106,788)

Components of zakat base

	2023	2022
Share capital at beginning of the year	**360,000,000**	360,000,000
Statutory reserve at beginning of the year	**24,504,713**	24,504,713
Retained earnings at beginning of the year	**28,637,003**	169,619,773
Lease liabilities and others	**566,734,549**	680,033,382
Property and equipment	**(395,584,905)**	(444,247,532)
Right of use assets	**(248,984,885)**	(343,906,518)
Adjusted net loss	**(49,412,178)**	(64,106,788)
Financial asset at FVOCI	**(8,889,559)**	(8,889,559)
Estimated zakat base	**277,004,738**	373,007,471

Zakat payable
The movement in the zakat payable was as follows:

	2023	2022
January 1	**16,034,455**	13,199,105
Charged for the year	**2,927,294**	13,049,280
Settlement of prior years	**-**	-
Charged to the consolidated statement of profit or loss and other comprehensive income	**2,927,294**	13,049,280
Paid during the year	**(7,312,795)**	(10,213,930)
Reclassified to accrued expense and other liabilities	**-**	-
December 31	**11,648,954**	16,034,455

Zakat status

The Group has finalized its zakat status for the years until 2018.
Zakat returns were submitted for the years 2019 and 2020. The Authority assessed the mentioned years, the zakat assessments were objected to during the statutory period, and the Authority's decision was issued on the Company's objection to the mentioned years, and the Company escalated the objection to the General Secretariat of Zakat, Tax and Customs Committees, and the Company responded to the Authority's reply note. The case is still under study by the committees and is awaiting a date for consideration.

The provision for zakat includes the amount of the provision made by the management according to the best estimate of the value that can be borne for those years.

The Group submitted the Zakat returns up to the fiscal year ended on 31 December 2022, and the returns is still under study by the Authority.

There is no change in zakat situation since the year ended 31 December 2022.

(All amounts are in Saudi Riyal unless otherwise stated)

19. DIVIDENDS

At the ordinary general assembly meeting held on April 30, 2020, the Company's shareholders resolved to delegate the authority to the Board of Directors to distribute dividends to the shareholders for the year 2020. The Board of Directors in their meeting held on March 11, 2021, resolved to distribute cash dividends for second half of the year 2020 to the Company's shareholders who owned the shares on March 28, 2021, amounting to Saudi Riyals 27 million at Saudi Riyals 0.75 per share. Those dividends have been paid on April 11, 2021. (2020: The Board of Directors in their meeting held on July 23, 2020, resolved to distribute cash dividends to the Company's shareholders who owned the shares on August 16, 2020, amounting to SR 18 million at SR 0.5 per share. Those dividends have been paid on 30 August 2020.)

20. STATUTORY RESERVES

In accordance with the Company's bylaws and the previous Saudi Arabian Regulations for Companies, the Group sets aside 10% of its net income each year as statutory reserve until such reserve equals to 30% of the share capital. This reserve is not currently available for distribution to Shareholders.

21. FAIR VALUE RESERVE

The Group recognize changes in the fair value of investments in unquoted securities of ACE international which are measured under fair valuation model as explained in note 32. These changes are accumulated within the change in fair value reserve within equity.

Movement of financial asset at FVOCI is as follow:

	2023	2022
Balance at 1 January	**629,107**	2,062,360
Net change in fair value	**-**	(1,433,253)
Balance at 31 December	**629,107**	629,107

22. REVENUES

The revenue comprises of Revenue from contract with customers generated from the sale of goods, rendering of transportation and logistics services.

	2023	2022
Sales of goods, net	**906,398,785**	1,104,963,951
Service revenue	**2,832,147**	3,343,785
Logistics revenue	**20,888,526**	28,230,417
	930,119,458	1,136,538,153

Service revenue represents the Group's services department's revenue from delivery, installation and maintenance of items sold to customers.

Logistics revenue represents the revenue earned by Medscan, the subsidiary of the Group.

Sales of goods constitutes the followings:

	2023	2022
Retail sales	**884,937,708**	1,082,110,917
Wholesale	**21,461,077**	22,853,034
	906,398,785	1,104,963,951

(All amounts are in Saudi Riyals unless otherwise stated)

23. SEGMENTS INFORMATION

The Group has two major operating segments namely, sales and services and logistic services and both are operating inside Saudi Arabia.

Sales and Services segment: This segment include sale of goods made to retail and wholesale customers. Service department represent services department's income from delivery, installation and maintenance of items sold.

Logistic Services: The logistics and related services segment provides a comprehensive logistics offering to its clients, including freight forwarding, transportation and contract logistics.

The Group's Chief Executive Officer reviews the internal management reports of each segment at least quarterly for the purpose of resources allocation and assessment of performance. Operating segments are organized based on factors including distribution method, targeted customers, and geographic location.

The segment information provided to the strategic steering committee for the operating segment as of and for the year ended December 31, 2023, and 2022 is as follows:

For the year ended 31 December 2023	Sales and services	Logistics	Total
Revenues:			
Total segment revenue	**909,230,932**	**40,273,493**	**949,504,425**
Inter-segment revenue	**-**	**(19,384,967)**	**(19,384,967)**
Revenue from external customers	**909,230,932**	**20,888,526**	**930,119,458**
Timing of revenue recognition:			
At a point in time	**908,351,401**	**20,888,526**	**929,239,927**
Over time	**879,531**	**-**	**879,531**
Revenue from external customers	**909,230,932**	**20,888,526**	**930,119,458**
Loss from operations	**(48,151,410)**	**(344,115)**	**(48,495,525)**
Other income	**8,265,508**	**156,504**	**8,422,012**
Financing cost	**(25,867,819)**	**(96,977)**	**(25,964,796)**
Loss before zakat	**(65,753,721)**	**(284,588)**	**(66,038,309)**
Zakat	**(2,927,294)**	**-**	**(2,927,294)**
Net loss for the year	**(68,681,015)**	**(284,588)**	**(68,965,603)**

Other segment information:

For the year ended 31 December 2023	Sales and services	Logistics	Total
Capital expenditures	**10,643,146**	**2,171,357**	**12,814,503**
Depreciation and amortization	**47,943,910**	**2,079,267**	**50,023,177**
Depreciation on right-of-use assets	**57,210,813**	**58,907**	**57,269,720**
Impairment loss on non- financial	**8,184,895**	**-**	**8,184,895**
Total segment assets:			
31 December 2023	**1,117,296,443**	**27,412,165**	**1,144,708,608**
Total segment liabilities:			
31 December 2023	**790,808,050**	**10,153,903**	**800,961,953**

(All amounts are in Saudi Riyal unless otherwise stated)

23. SEGMENTS INFORMATION(CONTINUED)

For the year ended 31 December 2022	Sales and services	logistics	Total
Revenues:			
Total segment revenue	1,108,307,736	55,146,908	1,163,454,644
Inter-segment revenue	-	(26,916,491)	(26,916,491)
Revenue from external customers	1,108,307,736	28,230,417	1,136,538,153
Revenue recognition timing:			
At a point in time	1,107,071,923	28,230,417	1,135,302,340
Over time	1,235,813	-	1,235,813
Revenue from external customers	1,108,307,736	28,230,417	1,136,538,153
loss from operations	(105,923,061)	(1,828,059)	(107,751,120)
Other income	10,856,810	79,501	10,936,311
Finance cost	(32,537,119)	(99,778)	(32,636,897)
Loss before zakat	(127,603,370)	(1,848,336)	(129,451,706)
Zakat	(13,049,280)	-	(13,049,280)
Net loss for the period	(140,652,650)	(1,848,336)	(142,500,986)

Other segment information:

For the year ended 31 December 2022	Sales and services	logistics	Total
Capital expenditures	67,753,003	2,065,072	69,818,075
Depreciation and amortization	48,283,248	2,938,585	51,221,833
Depreciation on right of use	68,321,817	58,907	68,380,724
Impairment loss on non-financial	29,735,366	-	29,735,366
Total segment assets:			
31 December 2022	1,326,769,356	27,380,206	1,354,149,562
Total segment liabilities:			
31 December 2022	932,159,327	8,219,412	940,378,739

24. COSTS OF REVENUE

	2023	2022
Cost of goods sold	**576,217,908**	695,562,568
Salaries and other benefits	**128,098,889**	134,467,202
Depreciation of right-of-use asset	**57,076,257**	66,706,112
Depreciation and amortization	**34,452,616**	36,140,222
short term lease and leasehold expenses	**6,416,857**	14,286,293
Franchisee commission	**3,285,680**	4,038,763
Provision for slow moving items and inventory shortages	**(10,599,023)**	43,914,624
Others	**22,890,556**	44,071,116
	817,839,740	1,039,186,900

(All amounts are in Saudi Riyals unless otherwise stated)

25. SELLING AND MARKETING EXPENSES

	2023	2022
Advertisement and promotion	**18,272,121**	37,018,836
Salaries and other benefits	**2,253,453**	2,647,252
	20,525,574	39,666,088

26. GENERAL AND ADMINISTRATION EXPENSES

	2023	2022
Salaries and other benefits	**68,441,193**	70,379,279
Service and logistics	**43,232,773**	42,643,310
Depreciation and amortization	**15,570,561**	15,081,607
Depreciation on right-of-use-asset	**193,463**	1,674,612
Rental and leasehold expenses	**2,247,259**	7,087,823
Other	**387,559**	2,005,213
	130,072,808	**138,871,844**

27. FINANCE COST

	2023	2022
Interest on lease liability	**19,559,058**	26,436,965
Interest on short term borrowings	**1,621,946**	3,382,521
Bank and other charges	**1,104,749**	1,215,901
Interest on long term borrowings	**3,679,043**	1,601,510
	25,964,796	32,636,897

28. LOSS PER SHARE

The calculation of loss per share is given below:

	2023	2022
Net loss for the year attributable to ordinary equity holders of the Company	**(68,965,603)**	(142,500,986)
Weighted average number of shares in issue during the year	**35,998,422**	36,000,000
Loss per share	**(1.92)**	(3.96)

The calculation of diluted losses per share is not applicable to the Group as there is no dilutive effect on the basic losses per share of the Group.

(All amounts are in Saudi Riyals unless otherwise stated)

29. CONTINGENCIES

The Group had the following contingencies:

	2023	2022
Letters of credit	**53,698,022**	37,979,075
Letters of guarantee	**21,805,398**	10,737,560
	75,503,420	48,716,635

The Group is subject to litigation in the normal course of its business. The Group's management does not believe that the outcome of these court cases will have any material impact on the Group's results or financial position.

30. COMMITMENTS

Significant capital expenditure contracted for ongoing activities of the Group's store/warehouse at the end of the reporting period is as follows:

	2023	2022
Group's store/warehouse commitments	**4,164,505**	3,532,800

31. RELATED PARTY TRANSACTIONS

31.1 Due from a related party

	2023	2022
Non-current portion	**-**	4,503,575
Current portion	**5,468,625**	1,286,735
	5,468,625	5,790,310

As disclosed in Note 5, the Group is entitled to receive a total amount of SR 6.4 million from Samual Taha Bakhsh, a related party consisting of three unequal payments starting from 2022. During the second quarter of 2022 and 2023, the first and second payments have been received for an amount of SR 643,370 and SR 1,286,733 respectively.

31-2 Related parties' transactions

	Nature Relationship	**Nature of the transaction**	**2023**	2022
Inheritors of Abdullah Taha Baksh	One of the owners of Abrar International Holding Company, which is one of the main shareholders in the Company	Lease agreement for two showrooms and a plot of land	**4,084,250**	3,985,000

(All amounts are in Saudi Riyal unless otherwise stated)

RELATED PARTY TRANSACTIONS (CONTINUED)

31.3 Compensation of key management personnel

The Group provides remunerations to directors, executive officers and key management personnel as follows:

	2023			**2022**		
Description	CEO & Directors	Other executives	**Total**	CEO & Directors	Other executives	**Total**
Managerial remuneration (short term)	**2,760,000**	**3,282,404**	**6,042,404**	1,923,366	2,544,776	4,468,142
Allowances (Short term)	**111,239**	**1,090,546**	**1,201,785**	497,171	671,943	1,169,114
Bonuses (short term)	**-**	**110,000**	**110,000**	-	156,000	156,000
Other Benefits (short term)	**-**	**-**	**-**	212,298	-	212,298
End of Service Benefits (long term)	**112,500**	**679,517**	**792,017**	186,660	202,832	389,492
Board member fees (short term)	**1,800,000**	**-**	**1,800,000**	1,800,000	-	1,800,000

32. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

When measuring the fair value, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying amount of financial assets and financial liabilities approximates their fair value. The Group only presents unquoted financial assets at FVOCI under fair valuation model.

The following table shows the fair values of financial asset at FVOCI, including its level in the fair value hierarchy.

	2023	2022
Level 3		
Investments carried at FVOCI	**8,889,559**	8,889,559

There were no transfers between Levels 1, 2 and 3 for the year ended 31 December 2023.

32. FAIR VALUE MEASUREMENT (CONTINUED)

The following tables show the valuation techniques used in measuring Level 3 fair values as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Investments carried at FVOCI	Average valuation Weight of: 1- Discounted cash flows: The valuation model considers the present value of the net cash flows expected to be generated by the Company. The cash flow projections include estimates for 5 years, weighted at 80% 2- And Price-to-book value (P/B), Comparable P/B (Similar companies), weighted at 20%	- Weighted Average Cost of Capital (WACC) 13.8%	The estimated fair value would increase / (decrease) if: - The WACC were (lower)/higher.

Sensitivity analysis

Reasonably possible changes as to the WACC, holding other assumptions constant, would have affected the fair value of the investments carried at FVOCI by the amounts shown below:

	December 31, 2023	
	+1%	-1%
Weighted Average Cost of Capital (WACC) (+/-1%)	**(1,073,482)**	1,291,846

(All amounts are in Saudi Riyals unless otherwise stated)

33. FINANCIAL INSTRUMENTS-FAIR VALUE, CLASSIFICATION, RISK MANAGEMENT

Financial Assets at amortized cost

	2023	2022
Accounts receivable	**43,717,827**	26,950,531
Other financial assets at amortized cost	**3,418,185**	3,737,156
Cash and cash equivalents	**13,043,549**	24,497,449
Due from a related party	**5,468,625**	5,790,310
	65,648,186	60,975,446

Financial Assets at FVOCI

	2023	2022
Financial assets at fair value through other comprehensive income (FVOCI)	**8,889,559**	8,889,559

Financial Liabilities at amortized cost

	2023	2022
Accounts and notes payable	**223,918,480**	172,467,631
Borrowing	**65,000,060**	122,752,461
Lease liabilities	**338,262,479**	447,199,845
Accrued expenses and other liabilities	**88,625,537**	118,341,235
	715,806,556	860,761,172

The Group is subjected to various financial risks due to its activities including (commission rate risk, currency risk and other price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

Senior management is responsible for the risk management. Financial instruments carried on the consolidated statement of financial position include cash and cash equivalents, investments, accounts receivable, due from related party and other current assets, Murabaha finance, trade payables and accrued expenses and other current liabilities. The recognition methods adopted are disclosed in the individual policy statements associated with each item. Financial asset and liability are offset and net amounts reported in the consolidated statement of financial position, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

(All amounts are in Saudi Riyals unless otherwise stated)

33. FINANCIAL INSTRUMENTS-FAIR VALUE, CLASSIFICATION, RISK MANAGEMENT (CONTINUED)

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: Interest rate risk and currency risk such as equity price risk. Financial instruments affected by market risk include loans and borrowings. The sensitivity analyses in the following sections relate to the position as at December 31, 2023.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term and short-term loans with floating interest rates. The Group manages its exposure to interest rate risk by continuously monitoring movements in interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's loss before zakat is affected through the impact on floating rate borrowings, as follows:

	2023	2022
Loss before Zakat	**(66,038,309)**	(129,451,706)
Increase by 100 points	**650,001**	1,227,525
Decrease by 100 points	**(650,001)**	(1,227,525)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did not undertake significant transactions in currencies other than Saudi Riyals, United Arab Emirates dirham (AED) and US Dollars, during the year and, accordingly, the Group has no significant exposure to other foreign currencies for the year ended December 31, 2023. Since the Saudi Riyal is pegged to the US Dollar and United Arab Emirates dirham, the Group is not exposed to significant foreign currency risk.

b) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its accounts receivable, cash and cash equivalent and due from related party and other current assets.

	2023	2022
Bank balances	**12,743,049**	23,694,257
Accounts receivable	**47,438,566**	28,679,303
Due from a related party	**5,468,625**	5,790,310
Other current assets	**3,418,185**	3,737,156
	69,068,425	61,901,026

The carrying amount of financial assets represents the maximum credit exposure.

Credit risk on receivable and bank balances is limited as:

• Bank balances are held with banks with sound credit ratings ranging from BBB- and above.
• Financial position of related parties is stable.

The Group manages credit risk with respect to receivables from customers by monitoring in accordance with defined Policies and procedures. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing basis.

(All amounts are in Saudi Riyals unless otherwise stated)

33. FINANCIAL INSTRUMENTS-FAIR VALUE, CLASSIFICATION, RISK MANAGEMENT (CONTINUED)

Bank balances

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. The Group seeks to manage its credit risk with respect to banks by only dealing with reputable banks that have a sound credit rating ranging from BAA1 and above, At the reporting date, no significant concentration of credit risk was identified by the management.

Trade receivable

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Trade receivables of the Group are spread across large number of credit customers. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables and ensuring close follow ups. An impairment analysis is performed at each reporting date on an individual basis for certain customers. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. As of December 31, 2023, the trade receivable balances due from two major customers represent 50% of the total account receivables. The Group evaluates the credit risk related to those customers as low as those customers are in KSA and based on their credit history and profile.

Other current assets

Other current assets include advances to employees and employee loans that are secured against end of service balances.

c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

The Group's objective is to maintain a balance between continuity of funding and flexibility using bank loans.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	Contractual undiscounted payments			
	On Demand or Less than 1 year	After one year but not more than 5 years	More than 5 years	Total
2023				
Accounts payable and notes payable	223,918,480	-	-	223,918,480
Lease liabilities	80,517,386	275,450,845	48,069,718	404,037,949
Borrowings	40,000,060	25,000,000	-	65,000,060
Accrued expenses and other liabilities	88,625,537	-	-	88,625,537
	433,061,463	**300,450,845**	**48,069,718**	**781,582,026**
2022				
Accounts payable and notes payable	172,467,631	-	-	172,467,631
Lease liabilities	93,838,287	339,569,077	111,504,036	544,911,400
Borrowings	77,752,461	45,000,000	-	122,752,461
Accrued expenses and other liabilities	118,341,235	-	-	118,341,235
	462,399,614	**384,569,077**	**111,504,036**	**958,472,727**

34 CAPITAL MANAGEMENT

The Board's policy is to maintain an efficient capital to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which is determined by the Group as a result of operating activities divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are:

1. To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
2. To provide an adequate return to shareholders.

There were no changes in the Group's approach to capital management during the year. Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements.

35. SUBSEQUENT EVENTS

There have been no significant subsequent events since the year-end that require disclosure or adjustment in these Consolidated Financial Statements

36. CONSOLIDATED FINANCIAL STATEMENTS APPROVAL

These consolidated financial statements have been approved by the Board of Directors on 25 Shaban 1445 H (corresponding 6 March 2024).