



**THOB AL ASEEL COMPANY**  
**(A Saudi Joint Stock Company)**

**Consolidated Financial Statements and Independent Auditor's  
Report for the year ended 31 December 2023**

**Thob Al Aseel Company**  
**(A Saudi Joint Stock Company)**  
**Consolidated financial statements for the year ended 31 December 2023**

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## *Independent auditor's report to the shareholders of Thob Al Aseel Company*

### **Report on the audit of consolidated financial statements**

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#### **Our Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Thob Al Aseel Company (the “Company”) and its subsidiaries (together 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 International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

#### **What we have audited**

The Group’s consolidated financial statements comprise:

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

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#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the “Code”), that is relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code’s requirements.

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#### **Our audit approach**

##### **Overview**

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Key audit matter	• Impairment losses on trade receivables
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.



## Independent auditor's report to the shareholders of Thob Al Aseel Company (continued)

### Our Audit approach (continued)

#### 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 period. 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.

Key audit matter	How our audit addressed the Key audit matter
<p><b>Impairment losses on trade receivables</b></p> <p>As at 31 December 2023, the Group's gross trade receivables balance was Saudi Riyals 256 million (2022: SAR 320 million) with an impairment loss of SAR 62 million (2022: SAR 94 million).</p> <p>The Group engaged with external expert to assess at each reporting date whether the trade receivables (carried at amortised cost) are credit impaired. The Group's management has applied a simplified expected credit loss (ECL") model to determine the allowance for impairment of trade receivables.</p> <p>The ECL model contains various estimates that include the Group's historical credit loss experience, adjusted for forward-looking factors specific to the trade receivables and the overall economic environment.</p> <p>We considered this as a key audit matter as the management applies significant judgment in determining an appropriate allowance for impairment on trade receivables.</p> <p>For further details, refer to Notes 2.9, 2.12, 9 and 28 in the accompanying consolidated financial statements for the accounting policy and related disclosures.</p>	<p>We performed the following procedures as part of our audit:</p> <ul style="list-style-type: none"> <li>• Tested the completeness and accuracy of underlying information used in the model and re-performed the arithmetical accuracy of the computation of ECL;</li> <li>• Involved our experts to verify the methodology of the ECL model developed by the management experts with the requirements of IFRS 9;</li> <li>• Evaluated the reasonableness of key assumptions made and judgments applied; and,</li> <li>• Considered the appropriateness of forward-looking macro-economic factors to reflect the impact of future events on expected credit losses.</li> </ul> <p>We also reviewed the adequacy and appropriateness of disclosures made in the accompanying consolidated financial statements in relation to implementation of the standard.</p>



## *Independent auditor's report to the shareholders of Thob Al Aseel Company (continued)*

### *Other information*

Management is responsible for the other information. The other information comprises the information included in the Group's Annual Report, but does not include the consolidated financial statements and our auditor's report thereon, which 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 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 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 Group's Annual Report, 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 International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of 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, i.e. board of directors, are responsible for overseeing the Group's financial reporting process.

### *Auditor's responsibilities for the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment 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.



*Independent auditor's report to the shareholders of Thob Al Aseel Company (continued)*

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

- 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, 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.

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

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

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**PricewaterhouseCoopers**

Khalid A. Mahdhar  
License No. 368

February 28, 2024

**Thob Al Aseel Company**  
**(A Saudi Joint Stock Company)**  
Consolidated statement of financial position  
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	As at 31 December	
		2023	2022
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	4	23,550,249	18,323,225
Right-of-use assets	5	23,313,074	23,703,752
Intangible assets	6	549,955	598,348
<b>Total non-current assets</b>		<b>47,413,278</b>	<b>42,625,325</b>
<b>Current assets</b>			
Inventories	7	298,373,210	312,620,322
Trade receivables	9	194,644,467	226,020,138
Prepayments and other receivables	10	16,196,019	19,951,110
Financial assets at fair value through profit or loss	13	10,444,025	8,692,709
Cash and cash equivalents	12	130,711,135	94,551,373
<b>Total current assets</b>		<b>650,368,856</b>	<b>661,835,652</b>
<b>Total assets</b>		<b>697,782,134</b>	<b>704,460,977</b>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital	17	400,000,000	400,000,000
Statutory reserve	18	77,317,791	69,626,212
Retained earnings		107,381,428	102,882,776
<b>Total shareholders' equity</b>		<b>584,699,219</b>	<b>572,508,988</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities	5	8,182,886	8,776,276
Employees' end of service benefits	16	15,796,387	15,807,740
<b>Total non-current liabilities</b>		<b>23,979,273</b>	<b>24,584,016</b>
<b>Current Liabilities</b>			
Trade payables		18,511,955	48,958,304
Lease liabilities	5	15,639,044	15,330,615
Accrued expenses and other liabilities	14	36,811,000	21,367,793
Provision for zakat	15	18,141,643	21,711,261
<b>Total current liabilities</b>		<b>89,103,642</b>	<b>107,367,973</b>
<b>Total liabilities</b>		<b>113,082,915</b>	<b>131,951,989</b>
<b>Total shareholders' equity and liabilities</b>		<b>697,782,134</b>	<b>704,460,977</b>

Notes from 1 to 30 form an integral part of these consolidated financial statements.

Chief Financial Officer

Chief Executive Officer

Chairman of the Board

**Thob Al Aseel Company**  
**(A Saudi Joint Stock Company)**  
Consolidated statement of income  
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December	
		2023	2022
Revenue	22	532,222,367	508,801,895
Cost of sales		<u>(315,437,990)</u>	<u>(296,591,987)</u>
<b>Gross profit</b>		<b>216,784,377</b>	<b>212,209,908</b>
General and administrative expenses	23	<b>(37,695,828)</b>	<b>(35,743,985)</b>
Selling and distribution expenses	24	<b>(56,285,863)</b>	<b>(53,564,429)</b>
Impairment losses on trade receivables	9	<b>(24,619,975)</b>	<b>(44,129,118)</b>
Realized and unrealized gain (loss) from remeasurement of financial assets at fair value through profit or loss		<b>1,751,316</b>	<b>(1,607,291)</b>
Other income	25	<u><b>1,133,270</b></u>	<u><b>460,487</b></u>
<b>Operating profit</b>		<b>101,067,297</b>	<b>77,625,572</b>
Finance cost	5	<u><b>(6,074,861)</b></u>	<u><b>(2,543,048)</b></u>
<b>Profit for the year before zakat</b>		<b>94,992,436</b>	<b>75,082,524</b>
Zakat expense	15	<u><b>(18,076,650)</b></u>	<u><b>(21,646,268)</b></u>
<b>Profit for the year</b>		<u><b>76,915,786</b></u>	<u><b>53,436,256</b></u>
<b>Basic and diluted earnings per share attributable to the shareholders of the Company (in Saudi Riyals)</b>	21	<u><b>0.19</b></u>	<u><b>0.13</b></u>

Notes from 1 to 30 form an integral part of these consolidated financial statements.

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Chairman of the Board



**Thob Al Aseel Company**  
**(A Saudi Joint Stock Company)**  
Consolidated statement of comprehensive income  
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	<u>For the year ended 31 December</u>	
		<b>2023</b>	<b>2022</b>
<b>Profit for the year</b>		<b>76,915,786</b>	53,436,256
<b>Other comprehensive income</b>			
<b>Items that may not be reclassified subsequently</b>			
<b>in the consolidated statement of income:</b>			
Re-measurement of employees' end of service benefits	16	<u>274,445</u>	(142,952)
<b>Total comprehensive income for the year</b>		<u><b>77,190,231</b></u>	<u><b>53,293,304</b></u>

Notes from 1 to 30 form an integral part of these consolidated financial statements.

\_\_\_\_\_  
**Chief Financial Officer**

\_\_\_\_\_  
**Chief Executive Officer**

\_\_\_\_\_  
**Chairman of the Board**

**Thob Al Aseel Company**  
**(A Saudi Joint Stock Company)**  
Consolidated statement of changes in shareholders' equity  
(All amounts are in Saudi Riyals unless otherwise stated)

	Notes	Share capital	Statutory reserve	Retained earnings	Total shareholders' equity
As at 1 January 2022		400,000,000	64,282,586	114,933,098	579,215,684
Profit for the year		-	-	53,436,256	53,436,256
Other comprehensive loss		-	-	(142,952)	(142,952)
Total comprehensive income for the year		-	-	53,293,304	53,293,304
Transfer to statutory reserve	18	-	5,343,626	(5,343,626)	-
Transactions with shareholders' in their capacity as owners:					
Dividends	19	-	-	(60,000,000)	(60,000,000)
As at 31 December 2022		<u>400,000,000</u>	<u>69,626,212</u>	<u>102,882,776</u>	<u>572,508,988</u>
<b>As at 1 January 2023</b>		<b>400,000,000</b>	<b>69,626,212</b>	<b>102,882,776</b>	<b>572,508,988</b>
<b>Profit for the year</b>		<b>-</b>	<b>-</b>	<b>76,915,786</b>	<b>76,915,786</b>
<b>Other comprehensive loss</b>		<b>-</b>	<b>-</b>	<b>274,445</b>	<b>274,445</b>
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>77,190,231</b>	<b>77,190,231</b>
<b>Transfer to statutory reserve</b>	18	<b>-</b>	<b>7,691,579</b>	<b>(7,691,579)</b>	<b>-</b>
<b>Transactions with shareholders' in their capacity as owners:</b>					
<b>Dividends</b>	19	<b>-</b>	<b>-</b>	<b>(65,000,000)</b>	<b>(65,000,000)</b>
<b>As at 31 December 2023</b>		<b><u>400,000,000</u></b>	<b><u>77,317,791</u></b>	<b><u>107,381,428</u></b>	<b><u>584,699,219</u></b>

Notes from 1 to 30 form an integral part of these consolidated financial statements.

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Chairman of the Board

**Thob Al Aseel Company**  
**(A Saudi Joint Stock Company)**  
Consolidated statement of cash flows  
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December	
		2023	2022
<b>Cash flows from operating activities</b>			
Profit for the year before zakat		94,992,436	75,082,524
<b>Adjustments for non-cash items</b>			
Depreciation of property and equipment	4	2,744,569	1,862,786
Amortisation of intangible assets	6	127,253	117,393
Depreciation expense of the right-of-use assets	5	8,438,258	10,673,308
Provision for slow-moving inventories	7	10,452,883	4,329,775
Gains on disposal of property and equipment	25	(420,988)	(185,400)
Realized and unrealized gains (losses) from remeasurement of financial assets at fair value through profit or loss	13	(1,751,316)	1,607,291
Impairment losses on trade receivables	9	24,619,975	44,129,118
Provision for employees' end of service benefits	16	2,361,151	1,851,157
Finance cost	5	6,074,861	2,543,048
<b>Change in working capital</b>			
Inventory		3,794,229	(52,957,123)
Trade receivables		6,755,696	(28,995,911)
Prepayments and other receivables		3,755,091	(9,126,285)
Trade payables		(30,446,349)	10,252,177
Accrued expenses and other liabilities		15,443,207	3,180,672
Zakat paid	15	(21,646,268)	(16,993,896)
Employees' end of service benefits paid	16	(2,098,059)	(433,980)
<b>Net cash generated from operating activities</b>		<b>123,196,629</b>	<b>46,936,654</b>
<b>Cash flows from investing activities</b>			
Purchase of property, equipment	4	(7,972,813)	(3,314,294)
Purchase of intangible assets	6	(79,000)	-
Proceeds from disposal of property and equipment		422,348	191,225
Additions to financial assets at fair value through profit or loss	13	-	(10,300,000)
<b>Net cash used in investing activities</b>		<b>(7,629,465)</b>	<b>(13,423,069)</b>
<b>Cash flows from financing activities</b>			
Lease payments	5	(14,407,402)	(13,472,493)
Dividends paid	19	(65,000,000)	(60,000,000)
<b>Net cash used in financing activities</b>		<b>(79,407,402)</b>	<b>(73,472,493)</b>
<b>Net change in cash and cash equivalents</b>		<b>36,159,762</b>	<b>(39,958,908)</b>
Cash and cash equivalents at the beginning of the year		94,551,373	134,510,281
<b>Cash and cash equivalent at the end of the year</b>	12	<b>130,711,135</b>	<b>94,551,373</b>
<b>Significant non-cash transactions:</b>			
Write off of trade receivables	9	(57,206,520)	-
Right of use assets	5	8,047,580	15,779,929
Re-measurement of employees' end of service benefits	16	274,445	(142,952)

Notes from 1 to 30 form an integral part of these consolidated financial statements.

Chief Financial Officer

Chief Executive Officer

Chairman of the Board

**Thob Al Aseel Company**  
**(A Saudi Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended 31 December 2023**  
(All amounts are in Saudi Riyals unless otherwise stated)

**1 General information**

Thob Al Aseel Company (the "Company") is a Saudi joint stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration number 1010071301 on 1 Dhu Al-hijah 1437H (corresponding to 5 September 2016).

The Company's registered address is Kingdom of Saudi Arabia, Riyadh, King Fahad Road, opposite to the Insurance Complex, Postal code: 11426, PO Box: 23236.

The Company's main activity is to import, export, wholesale retail in fabrics and readymade clothes.

The Company practices its activities through 26 branches (2022: 27 branches).

As at 4 November 2019, The Capital Market Authority (CMA) approved Thob Al Aseel Company's request dated 16 October 2019 to be transferred from the Saudi parallel market ("Nomu") to the Saudi Stock Exchange (Tadawul). The Company's shares were listed and traded in Tadawul starting from 10 November 2019.

The consolidated financial statements include the accounts of the Company and its subsidiaries (collectively referred to as the "Group") as follows:

Subsidiary	Country of incorporation	Ownership percentage as at 31 December	
		2023	2022
Al Jedaie Fabrics Company	Kingdom of Saudi Arabia	100%	100%
Qiwa Al Aseel Company	Kingdom of Saudi Arabia	100%	100%
Aseelah Trade Company	Kingdom of Saudi Arabia	100%	100%

**Subsidiary**

Al Jedaie Fabrics Company (the "Subsidiary") was incorporated as a limited liability Company in Riyadh in the Kingdom of Saudi Arabia under commercial registration number 1010048637 dated 22 Jumada Al-Awal 1438H (corresponding to 19 February 2017). The Subsidiary is mainly engaged in sale of textiles, clothing and wholesale of men's fabrics, and retail sale of textiles and fabrics of all kinds (wearable) for fabrics and men's clothing.

The subsidiary practices its activities through 51 branches (2022: 50 branches).

Qawat Al-Aseel Contracting Company ("Subsidiary") was incorporated as a limited liability Company in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010910044 dated 21 Muharram 1445H (corresponding to 8 August 2023) with a capital of 5,000 Saudi Riyals. The subsidiary's main activity is general construction of residential buildings, renovations of residential and non-residential buildings and general cleaning of buildings.

Aseela Trade Company ("the Subsidiary") was incorporated as a limited liability Company in Riyadh in the Kingdom of Saudi Arabia under commercial registration number 10109384400 dated 2 Rabi' al-Akhir 1445H (corresponding to 17 October 2023) with a capital of 5,000 Saudi Riyals. The subsidiary's main activity is the retail sale of clothing, shoes and leather goods in specialized stores.

**2 Summary of material accounting policies**

The material accounting policies set out below have been applied in preparing these consolidated financial statements, and these policies are applied consistently over all the presented periods, unless otherwise stated.

**2-1 Basis of preparation**

**2-1-1 Compliance with International Financial Reporting Standards ("IFRS")**

The Group's consolidated financial statements have been prepared in accordance with IFRS, 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".

**2-1-2 Historical cost convention**

These consolidated financial statements have been prepared on a historical cost basis, except for the following:

- Employees' end of service benefits, which have been measured at the present value of future obligations using the projected unit credit method.
- Financial assets at fair value through profit or loss which is measured at fair value.

**Thob Al Aseel Company**  
**(A Saudi Joint Stock Company)**  
**Notes to the consolidated financial statements for the year ended 31 December 2023**  
(All amounts are in Saudi Riyals unless otherwise stated)

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**2 Summary of material accounting policies** (continued)

**2-1 Basis of preparation** (continued)

**2-1-3 The following new standards and the amendments became effective from 1 January 2023**

- 1 IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).
- 2 Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
- 3 Transition option to insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).
- 4 Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- 5 Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- 6 Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).
- 7 Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023).

The application of the standard and amendments had no significant impact on the Company's financial statements.

**2-1-4 Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2024 or later, and which the Company has not early adopted**

- 1 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- 2 Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).
- 3 Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024).
- 4 Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023).
- 5 IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016).

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Company's financial statements.

**2-2 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries.

**Subsidiary**

Subsidiary is an entity over which the Group has control. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its right to direct the activities of this entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intergroup transactions, balances and unrealised gains on transactions between Group companies are disposed. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

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**2 Summary of material accounting policies (continued)**

**2-3 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Chief Executive Officer, who is the Chief Operating Decision Maker ("CODM"). 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.

**2-4 Foreign currency translations**

*a) Functional and presentation currency*

Items included in the financial statements of each of the Group and its subsidiaries are measured using the currency of the primary economic environment in which the Group and its subsidiaries operate ('the functional currency').

The consolidated financial statements are presented in Saudi Riyals ("SAR"), which is the Company's functional and presentation currency.

*b) Transactions and balances*

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 recognised in consolidated statement of income. They are deferred in shareholders' equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

**2-5 Property and equipment**

Initial recognition

Property and equipment are recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the property and equipment will flow to the Group, and the cost of the asset can be measured reliably. Property and equipment are recognised and measured initially at cost, net of accumulated depreciation and impairment losses, if any. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost, such as site preparation cost, delivery, installation costs, relevant professional fees and the estimated cost of dismantling and removing the asset and restoring the site (to the extent that such cost is recognised as a provision). When parts of property and equipment are significant in cost in comparison to the total cost of the item and such parts have a useful life different than other parts, the Group recognises such parts as individual assets and depreciates them accordingly.

Subsequent measurement

The Group adopts the cost model to measure the entire classes of property and equipment. After recognition as an asset, an item of property and equipment is carried as its cost less accumulated depreciation and impairment losses, if any.

Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised 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.

Depreciation

Useful lives are determined by management based on the expected usage of the asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors. Depreciation is calculated on a straight-line basis over the below useful lives and is recognised in the consolidated statement of income:

Category	Depreciation rate
Buildings	3%
Vehicles	25%
Computers	20–33%
Office furniture and equipment	20–25%
Decorations and fixtures	20–25%

Land is not depreciated.

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**2 Summary of material accounting policies** (continued)

**2-5 Property and equipment** (continued)

De-recognition

Property and equipment are derecognised when it has been disposed or no future economic benefits are expected to arise from its use or disposal. Gains or losses arising from de-recognition of an item of property and equipment is included in the consolidated statement of income at the time the item is derecognised.

**2-6 The Group's leasing activities and how these are accounted for**

The Group leases various warehouse facilities, offices and branches rentals and others. Lease terms are negotiated on an individual basis. Rental contracts are typically made for fixed periods of 1 year to 5 years but may have extension options. 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.

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

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including significant fixed payments), less any lease incentive receivables;
- 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.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. 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.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

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.

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 generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of income. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

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**2 Summary of material accounting policies (continued)**

**2-7 Intangible assets**

Intangible assets acquired separately are measured at cost upon initial recognition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are classified to be either definite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

*Software*

Intangible assets, consisting of computer software, are recorded at cost, net of accumulated amortisation and impairment losses, if any. Software is amortised on a straight-line basis over a period of 8 to 10 years.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

**2-8 Impairment of assets**

Intangible assets that have an indefinite useful life are not subject to amortisation 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 recognised 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 that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

**2-9 Financial instruments**

*Classification of financial assets*

The Group classifies its financial assets under the following categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group 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 be recorded in consolidated statement of comprehensive income.

The Group measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

*Classification of financial liabilities*

The Group classifies all financial liabilities as subsequently measured at amortised cost using the effective interest rate method except for financial liabilities at fair value through profit or loss, if any.

The Group designates a financial liability at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a group of financial liabilities is managed, and its performance is evaluated on a fair value basis.



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**2 Summary of material accounting policies (continued)**

**2-9 Financial instruments (continued)**

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Reclassifications

Financial assets are reclassified when the Group changes its business model for managing financial assets. For example, when there is a change in management's intention to hold the asset for a short term or long term. Financial liabilities are not reclassified.

Initial measurement

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed through recognition in the consolidated statement of income. In the case of financial assets or financial liabilities not at fair value through profit or loss, its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount. Trade receivables are measured at transaction price.

Subsequent measurement

After initial recognition, financial assets and financial liabilities are measured in accordance with their classification.

De-recognition

The Group derecognises a financial asset when, and only when the contractual rights to the cash flows from financial asset expire, or it transfers substantially all the risks and rewards of ownership of the financial asset.

Financial liabilities are derecognised when the obligations specified in the contract is discharged, cancelled or expired. A substantial change in the terms of a debt instrument is considered as an extinguishment of the original liability and the recognition of a new financial liability.

Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its as part of its financial assets carried at amortised cost and debt instruments carried at fair value through other comprehensive income.

For trade receivable, the Group applies the simplified approach, which requires recognising the expected losses based on the age from the date of the initial recognition of the accounts receivable. To measure expected credit losses, trade receivable is grouped based on the characteristics of the joint credit risk and the number of obsolete days. The expected loss rates were derived from the historical information of the Group and adjusted to reflect the expected future result, which also includes future information for macroeconomic factors such as inflation and the rate of growth of Growth Domestic Product (GDP).

Other financial assets such as employees' receivables and bank balances have low credit risk. Therefore, the effect of the expected credit loss is insignificant.

The Group recognises the expected credit loss provision of the financial asset at each reporting date, the Group recognises in the consolidated statement of income the amount of the change in lifetime expected credit losses as a reverse or charge of impairment.

**2-10 Fair value measurement**

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

- In the active market for the asset or liability, or
- In the absence of a principal market, in the alternative market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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**2 Summary of material accounting policies (continued)**

**2-10 Fair value measurement (continued)**

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

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

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within 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).

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

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

**2-11 Cash and cash equivalents**

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.

**2-12 Trade receivables**

Trade receivables are recognised initially at the unconditional transaction cost unless these receivables include a significant financing component at fair value. They are subsequently measured at amortised cost using the effective interest rate method less ECL allowance.

The Group applies the simplified approach to make a provision for expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. Provision for impairment is made based on the Group's management best estimate of expected credit losses relating to those receivables. Such estimate is based on the customers' financial status and historical write-off experience. Trade receivable balances are written off against such provision after all means of collection have been exhausted and potential of recovery is remote. Bad debts written off as such are recorded in the consolidated statement of income as incurred.

**2-13 Inventories**

Inventories are finished goods that are stated at the lower of cost or net realisable value. The cost includes import duties, non-refundable taxes, transport and handling costs and any other directly attributable costs less discounts, rebates and similar items. Costs are assigned to individual items of inventory on the basis of weighted average cost. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. Cost of inventories is recognised as an expense and included in cost of sales.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the year the write-down or loss occurs. The amount of reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as an increase in the amount of inventories recognised as a gain in the year in which the reversal occurs.

**2.14 Employee benefit obligations**

Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leaves that are expected to be settled wholly within twelve months, after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

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**2 Summary of material accounting policies (continued)**

**2.14 Employee benefit obligations (continued)**

Employees' end of service benefits

The liability recognised in the consolidated statement of financial position in respect of employees' end of service benefits is the present value of the employees' end of service benefit at the end of the reporting period. The employees' end of service benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. Since there is no deep market in the Kingdom of Saudi Arabia of high-quality corporate bonds, the market return rate on governmental bonds in the Kingdom of Saudi Arabia was used to reach the present value of employees' end of service benefit obligation by adjusting for estimated future cash flows.

The net interest cost is calculated by using the discount rate to the net balance of the employees' end of service benefit obligation. This cost is included in employee benefit expense in the consolidated statement of income.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in the consolidated statement of comprehensive income. They are included in retained earnings in the consolidated statement of changes in shareholders' equity and in the consolidated statement of financial position.

Changes in the present value of employees' end of service benefit obligation arising from adjustments or a curtailment in plan are recognised directly in the consolidated statement of income as past service costs.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses that takes into consideration the profit attributable to the Company's shareholders. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

**2-15 Trade payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the year which are unpaid. The amounts are unsecured and are usually paid within 30 to 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within twelve months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

**2-16 Credit facilities**

Borrowings are initially calculated 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 recognised in consolidated statement of income over the period of the loans using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all the facilities will be drawn down. In this case, the fees are deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all the facilities will be drawn down, the fees are amortized over the period of the facilities to which they relate.

**2-17 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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**2 Summary of material accounting policies (continued)**

**2-18 Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised 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. As per the Regulation for Companies in Saudi Arabia, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognized directly in shareholders' equity.

**2-19 Earnings per share**

The Group presents basic and diluted earnings per share, if any. Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company excluding any costs of servicing equity other than ordinary shares by the weighted average number of common shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares if any. Diluted earnings per share, if any adjusts the figures used in the determination of basic earnings per share to take into account the 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.

**2-20 Revenue**

Sales revenues are measured based on the compensation defined in a contract with a customer, excluding the amounts collected on behalf of any third parties, if any. The Group generally recognises revenues when it transfers control of a product to a customer, which occurs when the product is delivered to the customer. Sales revenues do not include the value-added tax collected. Sales are included in the consolidated statement of income net of returns and any granted discounts.

The Group recognises 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. Recognise revenue when (or as) the Group satisfies a performance obligation.

Below is a description of the principal activities, from which the Group earns its revenues:

**(a) Sales at the retail outlets**

The Group has a chain of retail outlets under the "Al-Jedaie" brand, which sell men's fabrics. Sales revenues are recorded when the customer acquires the product sold by the Group. The transaction cost is paid directly upon the customer's purchase of the product. The Group's return policy gives customers the right to return within three days with certain requirements and some exceptions.

**(b) Wholesale**

The Group sells men's clothing and fabrics to other retailers. Sales are recognised when control of the products is transferred, that is, when the products are delivered to other retailers and there is no impermissible obligation that may affect other retailers' acceptance of the products. This type of sales includes a credit period of 30 to 180 days. Generally, wholesale sales are not returned, and merchandise returns may only be accepted at the management's discretion.

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**2 Summary of material accounting policies (continued)**

**2-20 Revenue (continued)**

*(b) Wholesale (continued)*

For all types of sales, historical experience indicates that the refund amounts are completely insignificant and therefore, at the time of sale, no liability is recognised against any expected recoveries. The validity of this conclusion is evaluated at the date of each reporting period. If the pattern of returns changes, the Group recognises a liability for any expected refunds and the corresponding asset (the right to return goods for the products expected to be returned), with the related revenues and sales costs adjusted accordingly.

In all types of the sales mentioned above, the price mentioned is the transaction price. The Group does not have any contracts where the period between the transportation of the promised goods to the customer and the date of payment by the customer exceeds one year; therefore, the Group does not adjust the transaction prices to reflect the time value of the money.

**2-21 General and administrative expenses**

General and administrative expenses include direct and indirect costs not specifically part of cost of sales as required under IFRS, that are endorsed in the Kingdom of Saudi Arabia. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

**2-22 Selling and distribution expenses**

Selling and marketing expenses principally consist of costs incurred in the distribution and sales of the Group's products and services. All other expenses are classified as general and administrative expenses.

**2-23 Zakat**

Zakat is provided in accordance with the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia and on accruals basis. The zakat expense is charged to the consolidated statement of income. Differences, if any, resulting from the final assessments are adjusted in the reporting period in which the assessments are finalized.

**2-24 Statutory reserve**

In accordance with the Company's By-Laws and Saudi Arabian Regulations for companies, the Company must set aside 10% of its annual consolidated net income as a statutory reserve until it reaches 30% of the Company's share capital. The reserve allocation is made on annual basis.

**3 Significant estimates and judgements**

The preparation of the Group's consolidated financial statements requires the use of certain accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

The estimates and associated assumptions are constantly reviewed. Adjustments resulting from the revision of estimates are recognised prospectively. Information about uncertain assumptions and estimates that have a significant risk that of resulting in a material adjustment in the year ended 31 December 2023 is included in the following notes:

- Assessment of assumptions of employees' end of service benefits - Note (2-14).
- Estimate of impairment of trade receivables – Note (2-9 and 2-12).
- Estimate of lease term - Note (5-F).

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**4 Property and equipment**

	<b>Land</b>	<b>Buildings</b>	<b>Vehicles</b>	<b>Computers</b>	<b>Office furniture and equipment</b>	<b>Decorations and fixtures</b>	<b>Total</b>
<b>Cost</b>							
1 January 2023	10,402,473	3,944,528	12,614,553	2,882,968	5,001,102	9,093,205	<b>43,938,829</b>
Additions	-	-	1,229,704	220,661	3,353,946	3,168,502	<b>7,972,813</b>
Disposals	-	-	(1,646,950)	(240,643)	(555,684)	(489,833)	<b>(2,933,110)</b>
<b>31 December 2023</b>	<b>10,402,473</b>	<b>3,944,528</b>	<b>12,197,307</b>	<b>2,862,986</b>	<b>7,799,364</b>	<b>11,771,874</b>	<b>48,978,532</b>
<b>Accumulated depreciation</b>							
1 January 2023	-	1,677,870	10,616,192	2,635,530	3,907,429	6,778,583	<b>25,615,604</b>
Charge for the year	-	119,015	978,275	151,904	637,011	867,614	<b>2,744,569</b>
Disposals	-	-	(1,646,940)	(240,532)	(554,642)	(489,776)	<b>(2,931,890)</b>
<b>31 December 2023</b>	<b>-</b>	<b>1,796,885</b>	<b>9,947,527</b>	<b>2,546,902</b>	<b>3,989,798</b>	<b>7,156,421</b>	<b>25,428,283</b>
<b>Net carrying amount</b>							
<b>31 December 2023</b>	<b>10,402,473</b>	<b>2,147,643</b>	<b>2,249,780</b>	<b>316,084</b>	<b>3,809,566</b>	<b>4,615,453</b>	<b>23,550,249</b>
<b>31 December 2022</b>	<b>10,402,473</b>	<b>2,266,658</b>	<b>1,998,361</b>	<b>247,438</b>	<b>1,093,673</b>	<b>2,314,622</b>	<b>18,323,225</b>
	<b>Land</b>	<b>Buildings</b>	<b>Vehicles</b>	<b>Computers</b>	<b>Office furniture and equipment</b>	<b>Decorations and fixtures</b>	<b>Total</b>
<b>Cost</b>							
1 January 2022	10,402,473	3,944,528	11,855,014	2,707,127	4,448,830	8,442,356	41,800,328
Additions	-	-	1,577,539	180,211	683,827	872,717	3,314,294
Disposals	-	-	(818,000)	(4,370)	(131,555)	(221,868)	(1,175,793)
31 December 2022	10,402,473	3,944,528	12,614,553	2,882,968	5,001,102	9,093,205	43,938,829
<b>Accumulated depreciation</b>							
1 January 2022	-	1,558,855	10,807,875	2,508,380	3,700,983	6,346,693	24,922,786
Charge for the year	-	119,015	626,313	128,728	335,030	653,700	1,862,786
Disposals	-	-	(817,996)	(1,578)	(128,584)	(221,810)	(1,169,968)
<b>31 December 2022</b>	<b>-</b>	<b>1,677,870</b>	<b>10,616,192</b>	<b>2,635,530</b>	<b>3,907,429</b>	<b>6,778,583</b>	<b>25,615,604</b>
<b>Net carrying amount</b>							
<b>31 December 2022</b>	<b>10,402,473</b>	<b>2,266,658</b>	<b>1,998,361</b>	<b>247,438</b>	<b>1,093,673</b>	<b>2,314,622</b>	<b>18,323,225</b>
<b>31 December 2021</b>	<b>10,402,473</b>	<b>2,385,673</b>	<b>1,047,139</b>	<b>198,747</b>	<b>747,847</b>	<b>2,095,663</b>	<b>16,877,542</b>

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**5 Leases**

The Group recognised right-of-use assets and related lease liabilities for operating lease contracts for warehouse lease contracts, warehouse facilities, offices and branches rentals and others.

a) Amounts recognised in the consolidated statement of financial position

<b>Cost</b>	<b>2023</b>	<b>2022</b>
1 January	<b>68,661,623</b>	52,881,694
Additions during the year	<b>8,047,580</b>	15,779,929
31 December	<b>76,709,203</b>	68,661,623
<b>Accumulated depreciation</b>		
1 January	<b>44,957,871</b>	34,284,563
Charge for the year	<b>8,438,258</b>	10,673,308
31 December	<b>53,396,129</b>	44,957,871
<b>Net carrying amount</b>		
December 31	<b>23,313,074</b>	23,703,752

b) Lease liabilities

	<b>31 December 2023</b>	<b>31 December 2022</b>
Current	<b>15,639,044</b>	15,330,615
Non-current	<b>8,182,886</b>	8,776,276
	<b>23,821,930</b>	24,106,891

Lease Liabilities include a due to shareholders amounting to SAR 3.40 million as of 31 December 2023 (31 December 2022: SAR 3.79 million) (Note 11).

c) The following table shows the movement during the year in lease liabilities:

	<b>2023</b>	<b>2022</b>
1 January	<b>24,106,891</b>	19,256,407
Additions during the year	<b>8,047,580</b>	15,779,929
Interest during the year	<b>6,074,861</b>	2,543,048
Payment during the year	<b>(14,407,402)</b>	(13,472,493)
31 December	<b>23,821,930</b>	24,106,891

d) Maturity profile

Minimum lease payments falling due during the following years:

	<b>31 December 2023</b>	<b>31 December 2022</b>
2023	-	15,459,884
2024	<b>15,833,828</b>	8,647,007
2025 and beyond	<b>7,988,102</b>	-
<b>Total</b>	<b>23,821,930</b>	24,106,891

e) Amounts recognised in the consolidated statement of income for the year:

	<b>2023</b>	<b>2022</b>
Depreciation expense of the right-of-use assets	<b>8,438,258</b>	10,673,308

Interest expense (included in finance cost) recognized in the statement of income during the year ended 31 December 2023 amounted to SAR 6.07 million (31 December 2022: SAR 2.54 million).

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**5 Leases (continued)**

*f)* Key estimates: estimate lease term

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 (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated) taking into consideration other factors such as:

- Significant leasehold improvements undertaken (or expected to be undertaken) over the term of the contract that are expected to have significant economic benefit for the Group;
- Costs relating to the termination of the lease, such as negotiation costs, relocation costs, costs of identifying another underlying asset suitable for the Group's needs; and
- The importance of that underlying asset to the Group's operations.

**6 Intangible assets**

	<b>2023</b>	<b>2022</b>
<b>Cost</b>		
1 January	<b>2,263,982</b>	2,263,982
Additions	<b>79,000</b>	-
Disposals	<b>(300)</b>	-
31 December	<b>2,342,682</b>	2,263,982
<b>Accumulated amortisation</b>		
Opening balance	<b>1,665,634</b>	1,548,241
Charge	<b>127,253</b>	117,393
Disposals	<b>(160)</b>	-
31 December	<b>1,792,727</b>	1,665,634
<b>Net carrying amount</b>		
31 December	<b>549,955</b>	598,348

Intangible assets primarily consist of computer software licenses and their implementation cost.

**7 Inventories**

	<b>31 December 2023</b>	<b>31 December 2022</b>
Finished goods	<b>299,295,393</b>	314,739,694
Raw materials in process	<b>25,525,764</b>	15,352,551
Goods' in-transit	<b>4,172,785</b>	2,695,926
Less: provision for slow-moving inventory	<b>(30,620,732)</b>	(20,167,849)
	<b>298,373,210</b>	312,620,322

Movement in the provision for slow-moving inventories is as follows:

	<b>2023</b>	<b>2022</b>
1 January	<b>20,167,849</b>	15,838,074
Utilized during the year	<b>(627,539)</b>	-
Provided for the year	<b>11,080,422</b>	4,329,775
31 December	<b>30,620,732</b>	20,167,849

**8 Financial instruments**

**8-1 Financial assets at amortized cost**

	<b>Notes</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Trade receivable	9	<b>194,644,467</b>	226,020,138
Other financial assets at amortized cost		<b>937,804</b>	1,243,522
Cash and cash equivalents	12	<b>130,711,135</b>	94,551,373
		<b>326,293,406</b>	321,815,033



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**8 Financial instruments (continued)**

**8-2 Financial liabilities at amortized cost**

	Note	31 December 2023	31 December 2022
Trade payables		18,511,955	48,958,304
Lease liabilities	5	23,821,930	24,106,891
		<b>42,333,885</b>	<b>73,065,195</b>

**9 Trade receivables**

	31 December 2023	31 December 2022
Trade receivable *	256,225,399	320,187,615
Less: impairment losses on trade receivables	(61,580,932)	(94,167,477)
	<b>194,644,467</b>	<b>226,020,138</b>

\* Due to the short-term nature of trade receivables, their carrying value is expected to approximate their fair value.

Movement in impairment losses on trade receivables are as follows:

	2023	2022
1 January	94,167,477	50,038,359
Write-off for the year	(57,206,520)	-
Provided for the year	24,619,975	44,129,118
31 December	<b>61,580,932</b>	<b>94,167,477</b>

**10 Prepayments and other receivables**

	31 December 2023	31 December 2022
Suppliers' advances	14,861,071	18,452,115
Employees' advances and receivables	1,335,645	1,430,459
Prepaid insurance	1,155,134	866,766
Insurance claims	-	179,006
Other receivables	358,096	329,634
Others	368,286	513,707
	<b>18,078,232</b>	<b>21,771,687</b>
Provision for impairment of prepayments and other receivables	(1,882,213)	(1,820,577)
	<b>16,196,019</b>	<b>19,951,110</b>

Movement in the provision for impairment of prepayments and other receivables are as follows:

	2023	2022
1 January	1,820,577	1,820,577
Provided for the year	61,636	-
31 December	<b>1,882,213</b>	<b>1,820,577</b>

**11 Related parties**

a) Transactions with key management personnel:

The following table describes compensations of key management personnel:

	2023	2022
Remuneration of key management	3,209,716	2,390,000
Short term employees' benefits	2,799,902	2,762,489
Employees' end of service benefits	173,071	189,470
	<b>6,182,689</b>	<b>5,341,959</b>

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**11 Related parties** (continued)

b) Significant transaction with related parties

During the ordinary course of its business, the Group had the following significant related party transactions:

	<b>Nature of transaction</b>	<b>2023</b>	<b>2022</b>
Shareholders	Rentals	<b>2,093,459</b>	1,415,111

c) Due to related parties

	<b>Note</b>	<b>Nature of relationship</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Shareholders	5	Shareholders	<b>3,397,892</b>	3,792,488

**12 Cash and cash equivalents**

	<b>31 December 2023</b>	<b>31 December 2022</b>
Bank balances	<b>128,836,348</b>	93,953,258
Cash in hand	<b>1,874,787</b>	598,115
	<b>130,711,135</b>	94,551,373

**13 Financial assets at fair value through profit or loss**

During the year ended 31 December 2022, the Group invested Saudi Riyals 10.3 million in a private investment portfolio for the purpose of trading in various investment categories. The investment was classified as a financial asset at fair value through profit or loss and the unrealized losses and gains from remeasurement is included in the consolidated statement of income.

The movement of financial asset at fair value through profit or loss during the year is as follows:

	<b>2023</b>	<b>2022</b>
1 January	<b>8,692,709</b>	-
Additions	-	10,300,000
Realized and unrealized gains (losses) from remeasurement	<b>1,751,316</b>	(1,607,291)
31 December	<b>10,444,025</b>	8,692,709

The following table shows the book values and fair values of financial assets, including their levels in the fair value hierarchy:

31 December 2023	Assets at fair value through profit or loss	Total	Fair Value			
			Level 1	Level 2	Level 3	Total
Securities	10,444,025	10,444,025	10,153,642	290,383	-	10,444,025

  

31 December 2022	Assets at fair value through profit or loss	Total	Fair Value			
			Level 1	Level 2	Level 3	Total
Securities	8,692,709	8,692,709	8,392,709	300,000	-	8,692,709

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**14 Accrued expenses and other liabilities**

	<b>31 December 2023</b>	<b>31 December 2022</b>
Contract liabilities	<b>15,333,858</b>	5,024,102
VAT – net	<b>4,969,454</b>	4,561,153
Accrued bonuses	<b>4,614,947</b>	3,440,278
Commissions payable	<b>3,308,948</b>	2,515,565
Accrued salaries	<b>3,277,663</b>	2,162,430
Meetings attendance allowance	<b>2,000,000</b>	1,600,000
Advances from customers	<b>1,386,439</b>	181,675
Others	<b>1,919,691</b>	1,882,590
	<b>36,811,000</b>	21,367,793

**15 Zakat**

**15-1 Zakat status**

The Group is subject to zakat according to the regulations of the Zakat, Tax and Customs Authority (“ZATCA”) in the Kingdom of Saudi Arabia. The Group files its zakat returns on consolidated basis, starting from the financial year ended 31 December 2018 and thereafter. Zakat returns were submitted up to 2022 to ZATCA. The Group also obtained a certificate of zakat valid until 21 Shawwal 1445H (corresponding to 30 April 2024).

The Group has finalized its zakat status and zakat assessments until 2018.

Regarding years 2019 and 2020, the zakat returns submitted by the Group have been examined by ZATCA, and based on the notification received from the Director of the Group account with the Authority, the examination file has been closed without any additional claims.

For years 2021 and 2022, the Group received a notice from ZATCA requesting additional information on the zakat returns submitted for these years. The assessments are still currently under examination by ZATCA.

**15-2 Calculation of adjusted net profit**

	<b>2023</b>	<b>2022</b>
Profit before zakat	<b>94,992,436</b>	75,082,524
Adjustments to net profit	<b>38,123,184</b>	50,310,050
Adjusted net profit	<b>133,115,620</b>	125,392,574

**15-3 Components of zakat base**

	<b>2023</b>	<b>2022</b>
Share capital	<b>400,000,000</b>	400,000,000
Adjusted net profit	<b>133,115,620</b>	125,392,574
Retained earnings	<b>37,882,776</b>	54,933,098
Provisions	<b>72,096,518</b>	81,575,634
Reserves	<b>69,626,212</b>	64,282,586
Other additions	<b>181,675</b>	672,182
Property and equipment	<b>(24,100,204)</b>	(18,921,573)
Zakat base	<b>688,802,597</b>	707,934,501
Zakat expense	<b>17,651,743</b>	18,150,902

**15-4 Zakat provision**

The movement in the zakat provision of the Group:

	<b>2023</b>	<b>2022</b>
1 January	<b>21,711,261</b>	17,058,889
Charged for the year	<b>18,076,650</b>	18,150,902
Zakat differences from previous years	-	3,495,366
Payments during the year	<b>(21,646,268)</b>	(16,993,896)
31 December	<b>18,141,643</b>	21,711,261

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**16 Employees' end of service benefits**

**Employees' end of service benefits – Defined benefit plan**

The Group operates a defined benefit plan in line with the Labour Law requirement in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labour Law of the Kingdom of Saudi Arabia. Employees' end of service benefit plans are unfunded plans and the benefit payment obligations are met when they due.

**Amounts recognised in the consolidated statement of financial position**

The amounts recognised in the consolidated statement of financial position and the movements in the net defined benefit obligation during the year are as follows:

	<b>2023</b>	<b>2022</b>
<b>1 January</b>	<b>15,807,740</b>	14,247,611
Current service cost	<b>1,644,664</b>	1,565,498
Interest expense	<b>716,487</b>	285,659
<b>Total amount recognised in consolidated statement of income</b>	<b>2,361,151</b>	1,851,157
<b>Re-measurement</b>		
Loss on change in financial assumptions	<b>30,099</b>	-
Loss on change in experience	<b>188,816</b>	331,445
Gain on change in demographic assumptions	<b>(493,360)</b>	(188,493)
<b>Total amount recognised in other comprehensive income</b>	<b>(274,445)</b>	142,952
Payment during the year	<b>(2,098,059)</b>	(433,980)
<b>31 December</b>	<b>15,796,387</b>	15,807,740

**Significant actuarial assumptions**

The significant actuarial assumptions are as follows:

	<b>2023</b>	<b>2022</b>
Discount rate	<b>4.60%</b>	4.60%
Salary increase rate	<b>5.00%</b>	4.60%

**Sensitivity analysis**

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

<b>2023</b>	<b>Movement</b>	<b>Decrease Saudi Riyal</b>	<b>%</b>	<b>Increase Saudi Riyal</b>	<b>%</b>
Discount rate	<b>0.5%</b>	<b>375,819</b>	<b>2.38%</b>	<b>(357,055)</b>	<b>(2.26%)</b>
Salary increase	<b>0.5%</b>	<b>(321,697)</b>	<b>(2.04%)</b>	<b>335,475</b>	<b>2.12%</b>
<b>2022</b>	<b>Movement</b>	<b>Decrease Saudi Riyal</b>	<b>%</b>	<b>Increase Saudi Riyal</b>	<b>%</b>
Discount rate	0.5%	366,834	2.32%	(348,933)	(2.21%)
Salary increase	0.5%	(350,568)	(2.22%)	365,044	2.31%

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.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the consolidated statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior year.

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**16 Employees' end of service benefits (continued)**

**Effect of defined benefit plan on Group's future cash flows**

The weighted average duration of the defined benefit obligation is 5.03 years. The expected maturity analysis of undiscounted defined benefit obligation is as follows:

	<u>2023</u>
2024	<b>2,005,993</b>
2025	<b>5,433,871</b>
2026	<b>2,522,056</b>
2027 and beyond	<b>12,700,213</b>
<b>Total</b>	<b><u>22,662,133</u></b>

**17 Share capital**

On June 20, 2023, the Extraordinary General Assembly approved the recommendation of the Board of Directors to divide the nominal value of the share from Saudi Riyals 10 per share to Saudi Riyal 1 per share to make the number of shares of the Group after the division become 400 million shares instead of 40 million shares.

The Company's capital as of 31 December 2023 consists of 400 million shares with a nominal value of Saudi Riyal 1 per share (31 December 2022: 40 million shares with a nominal value of Saudi Riyals 10 per share).

**18 Statutory reserve**

Company's By-Laws require the Company to set aside 10% of its net profits for the year as statutory reserves until such reserve equals 30% of the Company's share capital. The balance of the reserve as of 31 December 2023 amounted to Saudi Riyals 77.32 million (31 December 2022: Saudi Riyals 69.63 million) represents amounts transferred from net profits during 2023 and previous years.

**19 Dividends**

The final dividends are recorded in the period approved by the shareholders during the General Assembly meeting. The Board of Directors decided on its meeting dated 27 February 2023 to distribute Saudi Riyals 30 million (Saudi Riyals 0.75 per share) as dividends for the second half of the financial year 2022 in accordance with an authorization of the Ordinary General Assembly held on 26 June 2022 for the Board to distribute interim dividends for the year 2022. The Board of Directors, in its meeting held on 19 July 2023, have also decided to distribute Saudi Riyals 35 million (Saudi Riyals 0.0875 per share) as dividends for the first half of the fiscal year 2023 in accordance with the authorization of the extraordinary General Assembly held on 20 June 2023 for the Board to distribute interim dividends for the year 2023.

In its meeting held on 20 February 2022, the Board of Directors decided to distribute Saudi Riyals 30 million (Saudi Riyals 0.75 per share) as interim dividends for the second half of the financial year 2021 in accordance with the authorization of the Ordinary General Assembly held on 28 June 2021 for the Board to distribute interim dividends for 2021. The Board of Directors, in its meeting held on 27 July 2022, have also decided to distribute Saudi Riyals 30 million (Saudi Riyals 0.75 per share) as dividends for the first half of the fiscal year 2022 in accordance with the authorization of the Ordinary General Assembly held on 26 June 2022 for the Board to distribute interim dividends for the year 2022.

**20 Segment information**

**20-1 Description of segments and principal activities**

The Group manages its operations by business segments. Management treats the operations of these segments separately for the purposes of monitoring, decision making and performance assessment. The Group mainly trades in fabrics and Thobs where all activities are carried out in the Kingdom of Saudi Arabia.

**Segment**

**Principal Activity**

Thobs  
Fabrics

Main activities include readymade clothes sales.  
Main activities include fabrics sales.

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**20 Segment information (continued)**

**20-2 Segments' financial information**

	31 December 2023			31 December 2022		
	Thobs	Fabrics	Gross	Thobs	Fabrics	Gross
Segments' sales	414,675,908	117,546,459	532,222,367	407,292,390	101,509,505	508,801,895
Inter-segment sales	-	-	-	-	-	-
Gross sales to external customers	414,675,908	117,546,459	532,222,367	407,292,390	101,509,505	508,801,895

**Timing of revenues recognition**

	31 December 2023			31 December 2022		
	Thobs	Fabrics	Gross	Thobs	Fabrics	Gross
At point-in-time	414,675,908	117,546,459	532,222,367	407,292,390	101,509,505	508,801,895
Over time	-	-	-	-	-	-
Gross revenue	414,675,908	117,546,459	532,222,367	407,292,390	101,509,505	508,801,895
Adjusted EBITDA	76,607,581	35,769,796	112,377,377	64,311,968	25,967,091	90,279,059

**Total segments' assets**

	Thobs sector	Fabrics sector	Eliminations	Gross
31 December 2023	657,956,669	119,700,739	(79,875,274)	697,782,134
31 December 2022	654,164,223	122,255,232	(71,958,478)	704,460,977

**Total segments' liabilities**

	Thobs sector	Fabrics sector	Eliminations	Gross
31 December 2023	73,191,401	72,005,910	(32,114,396)	113,082,915
31 December 2022	81,599,185	84,188,284	(33,835,480)	131,951,989

A reconciliation of adjusted EBITDA to operating profit before zakat is provided as follows:

	2023	2022
Adjusted EBITDA	112,377,377	90,279,059
Depreciation and amortisation	(11,310,080)	(12,653,487)
Finance costs	(6,074,861)	(2,543,048)
Profit before zakat	94,992,436	75,082,524

**21 Earnings per share**

Earnings per share has been calculated by dividing the net profit for the periods ending on 31 December 2023 and 2022 by 400 million shares.

The number of shares for the year ended 31 December 2022 has been adjusted retrospectively to reflect the shares division (Note 17). Since this represents a change in the number of basic shares, without a corresponding change in resources, the weighted average number of basic shares outstanding during all reported periods is adjusted retrospectively.

**22 Revenue**

	For the year ended 31 December	
	2023	2022
Wholesale	465,760,592	450,488,675
Retail sales	66,461,775	58,313,220
	532,222,367	508,801,895

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**23 General and administrative expenses**

	Notes	<b>For the year ended 31 December</b>	
		<b>2023</b>	<b>2022</b>
Salaries and employees' benefits		<b>20,001,769</b>	20,476,410
Employees' other expenses		<b>5,118,660</b>	4,183,049
Amortization expense of right-of-use assets	5	<b>2,140,936</b>	1,868,925
Depreciation and amortization	4,6	<b>1,077,676</b>	519,214
Professional and legal consultancy fees		<b>1,544,855</b>	1,267,630
Board of Directors' remuneration and allowances		<b>2,000,000</b>	2,034,000
Maintenance expenses		<b>1,538,026</b>	1,792,683
Insurance		<b>651,210</b>	653,312
Printings, cleaning and hospitality		<b>625,845</b>	520,655
Post, telephone and internet		<b>401,335</b>	737,843
Business travel		<b>784,248</b>	349,970
Others		<b>1,811,268</b>	1,340,294
		<b>37,695,828</b>	35,743,985

The auditor fees for the audit and quarterly reviews of the Group's consolidated financial statements for the year ended 31 December 2023 amounted to Saudi Riyals 695,000 (2022: Saudi Riyals 675,000) and the other related services amounted to Saudi Riyals 70,000 (2022: Saudi Riyals 50,000).

**24 Selling and distribution expenses**

	Notes	<b>For the year ended 31 December</b>	
		<b>2023</b>	<b>2022</b>
Salaries and employees' benefits		<b>29,852,223</b>	23,801,235
Amortisation expense of right-of-use assets	5	<b>6,297,322</b>	8,804,383
Employees' other expenses		<b>5,309,873</b>	4,537,318
Marketing and advertising		<b>4,338,339</b>	7,563,109
Insurance		<b>1,232,769</b>	1,100,353
Vehicles expenses		<b>1,267,805</b>	1,421,685
Printings, cleaning, hospitality and electricity		<b>1,197,576</b>	1,144,638
Loading, unloading, packing and packaging		<b>1,935,348</b>	1,214,719
Depreciation and amortization	4,6	<b>1,794,146</b>	1,460,965
Banking expenses		<b>1,530,081</b>	1,446,717
Maintenance expenses		<b>501,963</b>	222,979
Post, telephone and internet		<b>292,238</b>	270,165
Others		<b>736,180</b>	576,163
		<b>56,285,863</b>	53,564,429

**25 Other income**

	<b>For the year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
Gains on disposal of property and equipment	<b>420,988</b>	185,400
Miscellaneous income	<b>712,282</b>	275,087
	<b>1,133,270</b>	460,487

**26 Commitments and Contingencies**

	<b>31 December 2023</b>	<b>31 December 2022</b>
Letters of credit	<b>12,099,061</b>	13,376,628
Others - purchases contracts	<b>27,326,873</b>	23,524,146
	<b>39,425,934</b>	36,900,774

**27 Seasonality of activity**

The Group's activity and revenues are influenced by seasonal factors during the year due to the different purchasing patterns, and these changes are reflected in the financial results of the Group's business during the year.

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**28 Risk management**

The Group's activities expose it to a variety of financial risks: credit risk, liquidity and market risk (including currency risk, price risk, and interest rate risk). The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the management under policies approved by the board of directors. The most significant risks are credit risks, liquidity risks, and market risks.

Financial instruments carried on the consolidated statement of financial position principally include cash and cash equivalents, receivables and certain other assets, payables, credit facilities and certain other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.

The table below shows the maximum exposure to credit risk for the significant components of the consolidated statement of financial position:

	Notes	31 December 2023	31 December 2022
Bank balances	12	128,836,348	93,953,258
Trade receivables, prepayments and other receivables		195,580,995	227,263,660
		<b>324,417,343</b>	<b>321,216,918</b>

Credit risks on trade receivable and bank balances are limited to the following:

**Bank balances**

Cash balances held with banks having a credit rating of BBB+ and above.

**Trade receivables**

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, permits the use of the lifetime expected loss provision for all lifetime trade receivables. The loss provision as at 31 December 2023 and 31 December 2022 is determined as follows:

In monitoring customer credit risk, customers are grouped according to their credit characteristics (including the type of customer such as retail/wholesale, etc), trading history with the Group and existence of previous financial difficulties. As at 31 December 2023 and 2022, the exposure to credit risks for trade receivables by types of customers was as follows:

**Trade receivables as at 31 December 2023**

**1- Thobs sector:**

Debt status	Expected loss rate	Total carrying amount	Expected credit losses
Current	1.64%	30,681,572	502,542
Past due > 30 days	1.94%	20,455,823	397,211
Past due > 60 days	2.35%	17,175,751	404,234
Past due > 90 days	2.98%	6,975,315	207,872
Past due > 120 days	4.31%	28,412,662	1,224,944
Past due > 180 days	7.65%	56,161,303	4,296,717
Past due > 270 days till 1 year	14.93%	28,834,703	4,305,825
Past due > 1 year till 2 years	35.71%	11,197,257	3,998,452
Overdue for more than two years and defaulters	69.75% - 100%	43,825,774	43,343,348
		<b>243,720,160</b>	<b>58,681,145</b>



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**28 Risk management (continued)**

**Credit risk (continued)**

Trade receivables as at 31 December 2023 (continued)

**2- Fabrics sector:**

Debt status	Expected loss rate	Gross carrying amount	Expect credit losses
Current	1.30%	834,055	10,873
Past due > 30 days	1.54%	713,200	10,951
Past due > 60 days	1.69%	1,321,258	22,264
Past due > 90 days	1.94%	679,779	13,208
Past due > 120 days	2.57%	1,652,136	42,533
Past due > 180 days	4.21%	2,313,586	97,466
Past due > 270 days till 1 year	8.89%	1,820,409	161,836
Past due > 1 year till 2 years	23.36%	698,137	163,098
Overdue for more than two years and defaulters	63.29% - 100%	2,472,679	2,377,558
		<b>12,505,239</b>	<b>2,899,787</b>
<b>Total</b>		<b>256,225,399</b>	<b>61,580,932</b>

Trade receivables as at 31 December 2022:

**1- Thobs sector:**

Debt status	Expected loss rate	Total carrying amount	Expected credit losses
Current	1.23%	22,940,936	282,429
Past due > 30 days	1.48%	16,975,144	251,588
Past due > 60 days	1.81%	28,905,045	523,819
Past due > 90 days	2.32%	12,722,648	294,537
Past due > 120 days	3.42%	20,639,434	705,485
Past due > 180 days	6.34%	77,618,079	4,917,967
Past due > 270 days till 1 year	12.81%	36,675,272	4,697,707
Past due > 1 year till 2 years	30.98%	11,772,174	3,646,573
Overdue for more than two years and defaulters	71.43% - 100%	77,225,624	75,253,433
		<b>305,474,356</b>	<b>90,573,538</b>

**2- Fabrics sector:**

Debt status	Expected loss rate	Gross carrying amount	Expect credit losses
Current	1.32%	1,083,179	14,313
Past due > 30 days	1.55%	1,007,401	15,617
Past due > 60 days	1.70%	1,553,304	26,355
Past due > 90 days	1.95%	778,492	15,207
Past due > 120 days	2.59%	1,043,458	26,995
Past due > 180 days	4.23%	2,362,783	100,049
Past due > 270 days till 1 year	8.93%	2,320,781	207,327
Past due > 1 year till 2 years	23.39%	1,605,612	375,510
Overdue for more than two years and defaulters	62.66% - 100%	2,958,249	2,812,566
		<b>14,713,259</b>	<b>3,593,939</b>
<b>Total</b>		<b>320,187,615</b>	<b>94,167,477</b>

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**28 Risk management (continued)**

**Credit risk (continued)**

*Trade receivables as at 31 December 2022: (continued)*

**2- Fabrics sector: (continued)**

Impairment losses on trade receivables and provision for impairment of prepayments and other receivables are as follows:

	Trade receivable	Prepayments and other receivables	Total
<b>1 January 2023</b>	<b>94,167,477</b>	<b>1,820,577</b>	<b>95,988,054</b>
Write-off for the year	<b>(57,206,520)</b>	<b>-</b>	<b>(57,206,520)</b>
Charge for the year	<b>24,619,975</b>	<b>61,636</b>	<b>24,681,611</b>
<b>31 December 2023</b>	<b>61,580,932</b>	<b>1,882,213</b>	<b>63,463,145</b>

**Sensitivity analysis for future circumstances expectations as at 31 December 2023**

	Value in SAR
Basic value for impairment losses in trade receivables	<b>61,580,931</b>
If the expectations of future circumstances increased by 10%	<b>61,714,201</b>
If the expectations of future circumstances decreased by 10%	<b>61,447,663</b>

**Liquidity risk**

Liquidity risk is the risk that the Group will encounter inability to secure the required liquidity to meet commitments associated with financial instruments. The Group limits its liquidity risk by monitoring the collection of trade receivable, managing the payment of accounts payable and ensuring the availability of bank facilities.

The Group's collection terms require trade receivable to be paid normally within 30 to 180 days of the date of invoice. Trade payables are normally settled within 90 days of the date of invoice.

The table below summarises the maturity profiles of the Group's financial liabilities based on contractual undiscounted payments.

*Contractual maturities of financial liabilities*

	Less than 6 months	6 – 12 months	1-2 years	Total Contractual cash flows
<b>At 31 December 2023</b>				
Trade payables	<b>18,511,955</b>	<b>-</b>	<b>-</b>	<b>18,511,955</b>
Lease liabilities	<b>8,819,589</b>	<b>7,686,910</b>	<b>8,327,461</b>	<b>24,833,960</b>
<b>Total</b>	<b>27,331,544</b>	<b>7,686,910</b>	<b>8,327,461</b>	<b>43,345,915</b>
<b>At 31 December 2022</b>				
Trade payables	48,958,304	-	-	48,958,304
Lease liabilities	8,969,700	6,952,735	8,905,720	24,828,155
<b>Total</b>	<b>57,928,004</b>	<b>6,952,735</b>	<b>8,905,720</b>	<b>73,786,459</b>

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**28 Risk management (continued)**

**Market risk**

• **Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Saudi Riyal is the Company's functional currency.

The Group did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars during the year. As Saudi Riyal is pegged to US Dollar, the Group is not exposed to significant currency risk.

• **Price risk**

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the consolidated statement of financial position at fair value through profit or loss.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

Diversification of the portfolio is done in accordance with the limits set by the Group. The majority of the Group's equity investments are publicly traded.

**Sensitivity**

The table below summarises the impact of increases/(decreases) of these equity securities on the Group's profit for the year. The analysis is based on the assumption that the price would increase or decrease by 10%, with all other variables held constant, and that all of the Group's equity instruments moved in the same way.

Year-end	Currency	Increase /decrease in fair value	Effect on income for the year
31 December 2023	SAR	+10%	1,044,403
	SAR	-10%	(1,044,403)
31 December 2022	SAR	+10%	869,271
	SAR	-10%	(869,271)

The Group was not exposed to commodity price risk.

• **Interest rate risk**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Group was not exposed to interest rate risk since it did not carry any instruments subject to floating interest rates.

**Capital management**

It is the Board of Directors' policy to maintain an adequate capital base in order to maintain the confidence of investors, creditors and the market and to further develop its future activity. The Board of Directors monitors the return on capital used and the level of dividends to ordinary shareholders. The Group aims, when managing capital, to:

- 1- protect the Group's ability to continue as a going concern so that it can continue to provide returns to the shareholders and benefits to other stakeholders.
- 2- provide sufficient return for the shareholders.

**29 Subsequent events**

According to the meeting held on 20 February 2024, The Board of Directors decided to distribute SR 40 million (0.10 SAR per share) as dividends for the Second half of the fiscal year 2023 in accordance with the authorization of the Extraordinary General Assembly to the Board of Directors to distribute interim dividends for the year 2023, which was held on 20 June 2023.

Other than mentioned above, In management's view, There were no significant subsequent events, since 31 December 2023 till the approval date of consolidated financial statements that may have significant impact on the Group consolidated financial statements or the disclosures.

**30 Board of Directors approval**

These consolidated financial statements have been approved by the Board of Directors on 20 February 2024.