BAAZEEM TRADING COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

BAAZEEM TRADING COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023

mazars

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Independent Auditor's Report

To the **Shareholders of Baazeem Trading Company**
(A Saudi Joint Stock Company)

Report on the audit of the consolidation financial statements

Opinion

We have audited the consolidated financial statements of **Baazeem Trading Company** (A Saudi Joint Stock Company) (The "company") and its subsidiary referred to together as the "Group", which comprise the consolidated statement of financial position as of December 31, 2023, and the consolidated of profit or loss, and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements presents fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and professional Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia (ISAs). 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 are independent of the Group in accordance with the professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have also fulfilled our ethical responsibilities in accordance with these requirements.

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

Emphasis of matter

Refer to note no. (2) group information regarding the Group investment in baazeem trading company - Qatar (a subsidiary). It shown that the investment is registered under the name of one of the main shareholders (Chairman of the Board of Directors) since the beginning of 2008. This investment was approved in the minutes of the meeting of the Board of Directors and the minutes of the General Assembly of the company.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter, a description of how our audit addressed the matter is set out below:

Key Audit Matters	Procedures taken towards the Key Audit Matters
Inventory: Inventory is considered a key audit matter due to the nature of the activity of the group that depends primarily on the inventory in generating revenue and the extend of its impact on the business results of the group.	We have performed the following procedures regarding existence and valuation of inventory balance: - Attending the physical inventory count held by the group. - Evaluating the design and effectiveness of internal control procedures for the inventory accounting cycle.

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Independent Auditor's Report (continued)
Key Audit Matters (continued)

Key Audit Matters	Procedures taken towards the Key Audit Matters
Inventory (continued): As at December 31, 2023, the group's inventory balance amounted to SAR 48.3 million (December 31, 2022: SAR 66.2 million), which exceeds 23.3% of the total current assets and 20.1% of the total assets of the group (December 31, 2022: 31% of the total current assets and 26.5% of the total assets), and given the importance of the inventory balance, valuations, and assumptions related to its obsolescence and decline in its value, this matter was considered a Key audit matter. Please refer to note No. 3-10 for the accounting policies and note No. 8 for the relevant disclosure on the accompanying consolidated financial statements.	- Evaluating the appropriateness and adequacy of disclosures related to inventory in the financial statements. - Testing the valuation of inventory measurement at cost price or net realizable value, whichever is lower.
Revenue recognition: During the year ended 31 December 2023, Group's revenue amounted to SAR 257.1 million (December 31, 2022: SAR 263.4 million). The Group continues to be under pressure to meet goals and expectations which may lead to misstatements in revenue. Revenue recognition is a key audit matter because there is a risk that management may override controls to misrepresent revenue transactions. Please refer to note No. 3-17 for the accounting policies and note No. 18 for the relevant disclosure on the accompanying consolidated financial statements.	We have performed the following procedures regarding revenue recognition: - Evaluating the appropriateness of the accounting policies related to the revenue recognition of the Group by taking into consideration the requirements of IFRS 15 "Revenue from Contracts with Clients". - Evaluating the design, implementation and testing of the operational effectiveness of the Group's control procedures, including the control procedures to prevent fraud when recognizing revenue in accordance with the Group's policy. - Testing sales transactions, on a sample basis, and perform cut-off tests of revenue made at the beginning and end of the year to assess whether the revenue has been recognized in the correct period. - Testing sales transactions, on a sample basis, and verify the supporting documents, which included delivery notes signed by customers, to ensure the accuracy and validity of revenue recognition

Other information

The other information comprises the information included in the Group's annual report for the year ended 31 December 2023, other than the consolidated financial statements and the auditor's report thereon, Management is responsible for the other information.

We have received the Board of Directors' report, which forms an integral part of the annual report, on the date of the auditor's report.

Our opinion on the consolidated financial statements does not cover other information, and we do not and will not express any form of assurance conclusion thereon. In our audit of the consolidated financial statements, it is our responsibility to read the information described above. In doing so, we consider whether the other information is not materially consistent with the financial statements or knowledge obtained in the audit, or otherwise appears to be materially misstated.
When we read the Group's annual report, if and when available if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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Independent Auditor's Report (Continued)

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 the International Financial Reporting Standard 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 the consolidation financial statement 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 are responsible for overseeing the Group's consolidated 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 ISAs 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 based on these consolidation financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We are 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, 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.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or commercial activities within the group, to express an opinion on the consolidated financial statements. We are responsible for directing, supervising, and implementing the group review process. We remain solely responsible for the audit opinion.

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Independent Auditor's Report (Continued)
Auditor's Responsibilities for the Audit of the consolidated Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Al-Kharashi Co.

الخـراشـي وشـركـاه
محاسبون و مراجعون قانونيون
س.ت: C.R.: 1010327044
Certified Accountants
& Auditors
AL-Kharashi Co.

Abdullah S. Al Msned
License No. (456)

Riyadh:
Ramadan 10, 1445
March 20, 2024

BAAZEEM TRADING COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER, 2023
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	31 December 2023	31 December 2022
Assets			
Non-current assets:			
Property, plant and equipment, net	4	29,386,674	32,111,872
Right -of- use assets, net	5/1	2,479,874	2,645,194
Intangible assets, net	6	791,720	1,477,131
Financial assets at fair value through other comprehensive income, net	7	3	3
Total non-current assets		**32,658,271**	**36,234,200**
Current assets:			
Inventory, net	8	48,272,244	66,244,520
Trade receivables and other debit balances, net	9	113,806,097	101,334,233
Cash and cash equivalents	10	45,017,409	45,788,238
Total current assets		**207,095,750**	**213,366,991**
Total assets		**239,754,021**	**249,601,191**
shareholder's Equity and Liabilities			
Shareholder's Equity:			
Share capital paid	11	101,250,000	101,250,000
Statutory reserve	12	30,375,000	30,375,000
Retained earning		63,806,087	60,380,362
Employees defined benefit obligations remeasurement reserve		(1,376,313)	(1,623,258)
Total shareholder's equity		**194,054,774**	**190,382,104**
Liabilities			
Non-current liabilities:			
leases liabilities – non current portion	5/2	2,429,001	2,560,342
Employees' defined benefits obligations	13	8,455,986	9,073,586
Total non-current liabilities		**10,884,987**	**11,633,928**
Current liabilities:			
Trade payables and other credit balances	15	12,862,225	18,045,876
Due to related parties	16/2	376,254	376,254
leases liabilities – current portion	5/2	131,341	125,685
Banks - credit facilities	14	17,041,221	24,842,359
Provision for Zakat	17	4,403,219	4,194,985
Total current liabilities		**34,814,260**	**47,585,159**
Total liabilities		**45,699,247**	**59,219,087**
Total shareholder's equity and liabilities		**239,754,021**	**249,601,191**

Finance Department | Chief Executive Officer | Chairman of BOD

The accompanying notes from (1) to (30) form an integral part of these consolidated financial statements.

Baazeem Trading Company
(A Saudi Joint Stock Company)
Statement of Consolidated profit or loss and other comprehensive income
For the year ended December 31, 2023
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	31 December 2023	31 December 2022
Revenue, net	18	257,105,584	263,353,491
Cost of revenues	19	(158,183,930)	(165,472,103)
Gross profit		**98,921,654**	**97,881,388**
Operating Expenses:			
Selling and marketing expenses	20	(48,113,276)	(45,785,844)
General and administrative expenses	21	(21,651,986)	(22,693,958)
Other expenses, net	22	(3,636,629)	(2,482,643)
Profit from operations		**25,519,763**	**26,918,943**
Finance cost	23	(522,046)	(993,313)
Investments losses in fair value valuation		-	(238,260)
Other income		1,051,357	278,366
Profit before zakat for the year		**26,049,074**	**25,965,736**
zakat	17	(4,398,349)	(4,190,115)
Net profit for the year		**21,650,725**	**21,775,621**
Items of other comprehensive income / (other comprehensive loss):			
Items of other comprehensive income / (other comprehensive loss) that are not subsequently reclassified to profit or loss:			
Actuarial gains (losses) generated from re-measurement of employee defined benefits obligations		246,945	(673,022)
Total other comprehensive income for the year		**21,897,670**	**21,102,599**
Earnings per share	25		
Basic and diluted earnings per share from profit from operations		**2.52**	**2.66**
Basic and diluted earnings per share from net profit for the year		**2.14**	**2.15**

Finance Department	Chief Executive Officer	Chairman of BOD

The accompanying notes from (1) to (30) form an integral part of these consolidated financial statements.

Baazeem Trading Company
(A Saudi Joint Stock Company)
Statement of Consolidated Changes in Shareholders' Equity
For the year ended December 31, 2023.
(All amounts are in Saudi Riyals unless otherwise stated)

	Share Capital paid	Statutory Reserve	Retained Earnings	Employees defined benefit obligations remeasurement reserve	Total shareholder's equity
Balance as at January 1, 2022	**101,250,000**	**30,375,000**	**63,410,991**	**(950,236)**	**194,085,755**
Net profit for the year	-	-	21,775,621		21,775,621
Other comprehensive loss	-	-		(673,022)	(673,022)
Total other comprehensive income for the year	-	-	**21,775,621**	**(673,022)**	**21,102,599**
Dividends (Note 27)	-	-	(24,806,250)	-	(24,806,250)
Balance as at December 31, 2022	**101,250,000**	**30,375,000**	**60,380,362**	**(1,623,258)**	**190,382,104**
Net profit for the year	-	-	21,650,725	-	21,650,725
Other comprehensive income	-	-	-	246,945	246,945
Total other comprehensive income for the year	-	-	**21,650,725**	**246,945**	**21,897,670**
Dividends (Note 27)	-	-	(18,225,000)		(18,225,000)
Balance as at December 31, 2023	**101,250,000**	**30,375,000**	**63,806,087**	**(1,376,313)**	**194,054,774**

Finance Department   Chief Executive Officer   Chairman of BOD

The accompanying notes from (1) to (30) form an integral part of these consolidated financial statements.

Baazeem Trading Company
(A Saudi Joint Stock Company)
Statement of Consolidated Cash Flow
For the year ended December 31,2023
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	31 December 2023	31 December 2022
Cash flows from operating activities:			
Profit before zakat for the year		26,049,074	25,965,736
Adjustments for non-cash items			
Depreciation of Property, plant and equipment	4	3,212,536	3,341,190
Depreciation of Right -of- use assets	5/1	165,320	165,320
Amortization of Intangible assets	6	685,411	685,413
Capital gain on disposal of Property, plant and equipment	22	(101,684)	(936,480)
Legal provision	22	240,000	-
Impairment in value of trade receivable	9	1,313,616	1,142,185
Impairment in value of other debit balances	9	568,593	1,000,000
Impairment in value of Value inventory	8	1,616,104	1,276,938
Employee defined benefit obligation expenses	13	1,321,486	1,131,155
Finance cost	23	522,046	993,313
		35,592,502	**34,764,770**
Changes in working capital			
Inventory, net		16,356,171	(6,169,791)
Trade receivables and other debit balances		(14,354,073)	(4,764,763)
Trade payables and other credit balances		(5,423,651)	5,551,335
Due to related Parties		-	(5,286)
Finance cost paid		(393,549)	(692,267)
Zakat paid	17	(4,190,115)	(4,279,174)
Employee defined benefit obligation paid	13	(1,692,140)	(1,389,357)
Net cash flows generated from operating activities		**25,895,145**	**23,015,467**
Cash flows from investing activities:			
Additions to property, plant and equipment	4	(487,338)	(1,085,806)
Proceeds from disposal of property, plant and equipment		101,684	5,544,349
Net cash flows (used in) generated from investing activities		**(385,654)**	**4,458,543**
Cash flows from financing activities:			
Payments of Banks - credit facilities	14	(113,659,026)	(144,390,243)
Proceeds from Banks - credit facilities	14	105,857,888	152,809,442
Dividends paid	27	(18,225,000)	(24,806,250)
Lease liability paid	5/2	(254,182)	(254,182)
Net cash flows used in financing activities		**(26,280,320)**	**(16,641,233)**
Net change in cash and cash equivalents		**(770,829)**	**10,832,777**
Cash and cash equivalents at the beginning of the year		45,788,238	34,955,461
Cash and cash equivalents at the end of the year	10	**45,017,409**	**45,788,238**
Non-cash transaction			
Impairment in value of inventory provision against inventory	8	(1,616,104)	(1,276,938)
Impairment in value of trade receivables provision against trade receivables	9	(133,144)	(1,568,494)

Finance Department | Chief Executive Officer | Chairman of BOD

The accompanying notes from (1) to (30) form an integral part of these consolidated financial statements.

(All amounts are in Saudi Riyals unless otherwise stated)

1. Organization and activities:

A. The nature of the company's activity

The Company's activities include wholesale of coffee and tea products, wholesale of food items and drinks, wholesale of cosmetics and beauty soaps, wholesale of soaps and detergents, wholesale of raw plastic materials, rubber, and industrial fibers, general stores having a variety of goods, and sale of tools and plastic materials (including bags).

The activity of the Company's branch (Baazeem Factory for Industry) includes the manufacturing of sanitary paper, napkins, cleaning wipes, towels, tissue paper, towel rolls, and ready-made food packaging.

B. Fiscal year

The company's financial year is twelve months from the beginning of January until the end of December each calendar year.

2. Group information

The accompanying interim condensed consolidated financial statements include the financial statements of Baazeem Trading Company and the financial statements of all companies controlled by the company (its subsidiary) as at December 31, 2023 and 2022.

		Shareholding % as at	
Name of subsidiary	Country of incorporation	December 31, 2023	December 31, 2022
Baazeem Trading Establishment	Qatar	100%	100%

The investment in the subsidiary company mentioned above is registered in the name of one of the main shareholders (Chairman of the Board of Directors) starting from 2008, and the investment is approved in the minutes of the Board of Directors and the minutes of the company's General Assembly.

The following are the branches of the company according to commercial registration:

Serial	Name of branch	Commercial Register No.	Date of commercial registration
1	Jeddah Branch	4030034688	1/8/1402 H
2	Dammam Branch	2050106377	26/10/1436 H
3	Tabuk Branch	3550036807	26/10/1436 H
4	Buraidah Branch	1131056151	26/10/1436 H
5	Madinah Al Munawarah Branch	4650079224	26/10/1436 H
6	Khamis Mushait Branch	5855068837	26/10/1436 H
7	Baazeem Factory for Industry	4042007183	24/11/1438 H

3.Basis of the preparation of consolidated financial statements:

The accounting policies used in preparing the consolidated financial statements for the fiscal year ended December 31, 2023, are consistent with those applied in the consolidated financial statements for the year ended December 31, 2022.

3/1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("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").

3/2 Basis of measurement

These consolidated financial statements are prepared in accordance with the principle of historical cost and using Accrual basis and the concept of continuity of activity, except for financial instruments which is measured at the fair value and the employee's defined benefits obligations, which is recognized at the present value of future obligation using the projected unit credit method.

3/3 Functional and presentation currency:

The consolidated financial statements are presented in Saudi Riyals, which is the functional and presentation currency for the Group. All figures are rounded to the nearest Saudi Riyal, unless otherwise indicated.

3/4 Significant accounting estimates and judgments

The preparing the consolidated financial statements requires management to use judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenditures recorded. Such estimates and judgments are evaluated on an ongoing basis based on past experience and some other factors, including expectations of future events that are believed to be reasonable according to the circumstances and data, and as a result, they form the basis for making judgments about the carrying amounts of assets and liabilities that are not visible from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are examined on the basis of the going concern concept. A review of accounting estimates is included in the period in which the estimates are examined, if the examination affects only that period or in the review period and future periods if the examination affects both current and future periods.

When applying the Group's accounting policies, the management made assumptions and estimations for uncertainties, which are important to the consolidated financial statements:

A- Impairment in value of trade receivable and other debit balances

trade receivable and other receivables are stated at amortized cost which is reduced by provisions related to the estimated non-recoverable amounts. The estimated non-recoverable amounts are based on the ages of the receivables and historical experience adjusted appropriately for future projections. Individual trade receivables are written off when management believes that they cannot be collected.

B- Impairment in value of inventory

Inventory is stated at the lower of cost or net realizable value. Adjustments are made to reduce the cost of the goods to their recoverable amount on the basis of an estimate of each financial period, if necessary, at the product level with respect to the estimated surplus, obsolescence balances and impaired balances. Factors influencing such adjustments include changes in demand, material deterioration and quality problems. Accordingly, the necessary provisions are made and reviewed periodically and continuously by the Management in each financial period.

C- Useful life for property, plant and equipment

The Group's management determines the estimated useful lives of property, plant and equipment for the purpose of calculating depreciation. These estimates are determined after considering the expected usage of the assets or the depreciation to which these assets are exposed. The management reviews the residual value and the useful lives annually, and the annual depreciation expenses are adjusted when the management believes that the useful lives differ from previous estimates.

3. Basis of the preparation of consolidated financial statements:(Continued)

3/4 Significant accounting estimates and judgments (Continued)

D-Measurement of employee defined benefit obligations

The Group's net obligation in respect of defined benefit programs is calculated by estimating the value of future benefits that employees received in exchange for their service in the current and prior periods. These obligations are discounted to determine their present value and the fair value of any assets is discounted.

The present value of the obligation is determined based on the actuarial valuation at the consolidated statement of financial position date by an independent expert using the unit projected credit method which recognizes each service period as leading to an additional unit of employee benefits and measures. The liability is measured at the present value of the estimated future cash flows. The discount rates used to determine the present value of the obligation under the defined benefit plan are determined by reference to the yield on US bonds (since the Riyal is pegged to the US dollar), adjusted for any additional risks.

E-Impairment in value of tangible and intangible assets

The Group's management makes an assessment to ascertain whether there are indications of an impairment in tangible and intangible assets.

F-Significant judgements in determining the lease term for contracts that include renewal options:

The Group defines the lease term as the irrevocable term of the lease, together with any periods covered by the option to extend the lease if that right can reasonably be exercised, or any periods covered by the option to terminate the lease, if it is reasonably certain that it will not exercise this right.

3/5 Going concern:

The consolidated financial statements have been prepared on a going concern basis, Management has assumes that the Group ability to continue as a going concern and has determined that the Group has the necessary resources to continue its operations in the near future. Furthermore, there are no significant doubts about the Group's ability to remain a going concern according to the going concern concept.

3/6 Basis of consolidation:

The consolidated financial statements include the financial statements of the parent company, Baazeem Trading Company and its subsidiaries (collectively referred to as the Group) as of December 31, 2023. Control over the invested business is achieved when it has the right to obtain different returns as a result of its participation in the investee company, and it has the ability to influence these returns by exercising its influence over the investee company. In particular, the Group controls the investee if, and only if, the Group has:

-Leverage over the investee company (for example: it has the right that gives it the power to control the activities of the investee company).

- Exposure to risks and the right to obtain variable returns as a result of its participation in the investee company.
- The ability to use its influence over the investee company to affect its returns.

In general, there is an assumption that the majority of voting rights will lead to control. To support this assumption and when the Group has a lower level than the majority of voting rights or similar rights in the investee company, the Group takes into account all relevant facts and circumstances when assessing

whether the Group has control over the investee company, and these facts and circumstances include the following:

- Contractual agreements with voting rights holders of the investee company.
- Rights resulting from other contractual agreements.
- The Group's right to vote and potential voting rights.
- Any additional facts or circumstances that indicate that the Group has or does not have the current ability to control activities related to decision-making, including voting on cases in previous shareholder meetings.

The Group performs a reassessment to ascertain whether or not it exercises control over the investee company, when facts and circumstances indicate that there is a change in one or more elements of control. Consolidation of a subsidiary begins when the Group has control of the subsidiary and ceases when the Group relinquishes exercising such control.

3. Basis of of the preparation of consolidated financial statements: (continued)

3/6 Basis of consolidation (continued)

The assets, liabilities, income and expenses of the subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date control is transferred to the Group and until the Group relinquishes exercising such control.

Income and each component of comprehensive income which relates to the equity holders of the parent company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When it is necessary, the financial statements of subsidiaries are amended so that their accounting policies are prepared in line with the Group's accounting policies.

All intercompany balances in the Group such as assets, liabilities, equity, income, expenses and cash flows resulting from operations between the Group companies are completely eliminated upon consolidation of the financial statements.

Any change in ownership interests in the subsidiary, without loss of control, is treated as an equity transaction. In the event that the Group loses control over the subsidiary, it will cease to recognize the related assets and liabilities, non-controlling equity and other elements of equity, and the resulting gains or losses are recognized in the consolidated statement of profit or loss. The investment retained is recognized at fair value.

In the event that the Group loses control over the subsidiaries:

- The assets (including goodwill) and liabilities associated with the subsidiary are excluded.
- Exclusion of the present value of any rights not controlled.
- Exclusion of cumulative balance differences recorded in equity.
- Recognition of the fair value of the assets received.
- Recognition of the fair value of any remaining investments.
- Recognition of any surplus or deficit in profits or losses.

Reclassification of the parent company's share in subsidiaries previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as it becomes a requirement if the Group directly disposes of assets and liabilities.

3/6/1- Equity method

Based on the equity method, investments are recognized primarily at cost and subsequently adjusted to reflect the Group's share of profits or losses after the acquisition as profits and losses resulting from the investment in the investee company. The Group's contribution to comprehensive income after the acquisition is also recognized in the statement of comprehensive income. If after reducing the contribution to the investee company to zero, liabilities are recognized only if there is an obligation to support the investee's operating operations or any payments made on behalf of the investee company. Distributions received or receivables from associates and joint ventures are booked to reduce the net value of the investments. The goodwill related to an associate or joint venture is included in the carrying amount of the investment and is not independently tested for impairment.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in the comprehensive income of the investee companies is shown as part of the Group's comprehensive income. In addition, in the event that any change is recognized directly within the equity of the associate or the joint venture, the Group shall recognize its share in any changes, when applicable, in the consolidated statement of changes in owners' equity as unrealized profits and losses resulting from the transactions between the Group and the associate and joint venture to the extent of the Group's interest in the associate or joint venture. The financial statements of subsidiaries and joint ventures are prepared for the same financial year as the Group.

(All amounts are in Saudi Riyals unless otherwise stated)

3. Basis of of the preparation of consolidated financial statements (continued)

3/6/1- Equity method (continued)

When necessary, the accounting policies of subsidiaries and joint ventures are presented to be consistent with the Group's policies. After applying the equity method, the Group checks whether it is necessary to prove any impairment loss in the value of its investment in its associate or joint venture. On the date of preparing each financial statement, the Group ensures that there is objective evidence of a decrease in the value of the investment in any associate or joint venture. When such evidence exists, the Group calculates the amount of the decrease as the difference between the recoverable amount of the associate or joint venture and its carrying value, and the loss is recognized as "share in the loss of an associate and a joint venture" in the statement of consolidated profit or loss.

Upon loss of significant influence over the associate or joint control of a joint venture, the Group measures and recognizes the investment to be held at fair value. The difference between the carrying value of the associate or joint venture upon loss of significant influence or joint control and the fair value of the investment retained (and any proceeds of disposal) will be recognized on the consolidated statement of profit or loss.

3/6/2 The subsidiary company and the percentage of the company's shareholding in its share capital

Name of subsidiary company	Country	Activity	Capital	Company share% Direct and indirect 31 December 2023	31 December 2022
Baazeem Trading Company	Qatar	Housewares trade	30,000 Qatary Riyal	100%	100%

- Baazeem Trading Establishment was established in 1998, and it is a sole proprietorship registered in the State of Qatar for the purpose of trading in hygiene materials, tools and devices in the name of one of the main shareholders (Chairman of the Board of Directors). This is approved in the minutes of the Board of Directors and the minutes of the general assemblies.
- The consolidated statement of profit or loss and other comprehensive income includes the results of the subsidiary's operations for the year ending on December 31, 2023, and the consolidated statement of financial position includes the assets and liabilities of the subsidiary on December 31, 2023.

3/7 Property, plant and equipment

3/7/1 Recognition and measurement

-Property, plant and equipment is measured at cost after deducting the accumulated depreciation and accumulated depreciation loss, if any, with the exception of land and construction work in progress.
- Cost includes expenditures that are directly attributable to the acquisition of the assets and the cost of self-built assets includes the cost of materials and direct labor and any other costs directly attributable to getting the assets to the condition in which they are operated, the costs of dismantling and removing the materials and returning the site in which they are located and any capitalized borrowing costs.
- The profit or loss from the sale of an item of property and equipment is determined by comparing the proceeds from the sale with the carrying value of property and equipment and is stated net in the consolidated statement of profit or loss.

3/7/2 Derecognition

An item of property and equipment is derecognised when it is sold or when future economic benefits are not expected to flow from its use or sale. Gains or losses arising from derecognition of an item of property, plant and equipment are included in the consolidated statement of profit or loss.

3/7/3 Post-acquisition costs

The cost of replacing a component of an item of property, plant and equipment is recognized at the carrying amount of the item when it is probable that future economic benefits will flow to the Group and that their cost can be measured reliably and the carrying value of the replaced component is derecognised. The cost of providing day-to-day service for property, plant and equipment is taken to the consolidated statement of profit or loss as incurred.

3. Significant accounting policies (continued)

3/7 Property, plant and equipment (continued)

3/7/4 Depreciation

-Depreciation is based on the cost of assets minus their residual value. The significant components of individual assets are estimated, and if there is a component that has a useful life that differs from the rest of that asset, then that component is depreciated independently.

- Depreciation is recorded in the consolidated statement of profit or loss using a straight-line method over the estimated useful life of each component of an item of property and equipment. Depreciation methods, useful lives and residual value are examined at the date of each consolidated financial position and adjusted whenever appropriate. Depreciation of the asset begins when it is available for use, and its depreciation stops on the date on which the asset is classified as held for sale or its cease to be utilized whichever is earlier.

The following are the estimated useful lives of the current and comparative periods:

Category	Useful life	Category	Useful life
Buildings and fixtures	20 Years	Furniture	6.66 years
Machinery	10 years	Devices and Tools	4 years
Equipment	4 years	Templates and Shelves	2-4 years
Motor Vehicle	4 years		

Improvements to buildings to leased land and buildings established on leased land are depreciated over their useful economic lives or the unexpired lease period, whichever is shorter.

3/8- Lease Contracts

Group as lessee

Upon initiation of a contract, the company assesses whether the contract contains lease arrangements. With regard to such lease arrangements, the company recognizes the right to use assets and lease liabilities, with the exception of short-term leases and low-value asset contracts as follows:

A- Right of use assets:

The Group recognizes the right to use the assets on the date of commencement of the lease contract (the date the underlying asset becomes available for use). Right-to-use assets are measured at cost, less any accumulated impairment losses and aggregate depreciation, and adjusted for any re-evaluation of the lease liability. Right-to-use cost of assets includes the amount of the lease liability recognized, initial direct costs incurred, and lease payments made on or before the commencement date minus any lease incentives received. Unless the Group is reasonably certain that ownership of the leased asset will be acquired at the end of the lease term. The right to use the assets recognized on a straight-line basis is amortized over the estimated useful life or the lease term, whichever is shorter. The right to use asset is subject to impairment reviews.

B- Lease liabilities:

On the date of the commencement of the lease contract, the Group recognizes the lease liability measured at the present value of the lease payments to be made over the term of the lease. Rent payments comprise fixed payments (including embedded fixed payments) minus rental incentives receivable, variable rental payments that are index or rate based and amounts expected to be paid under residual value guarantees. The lease payments may also include the purchase option exercise price that is reasonably certain to be exercised by the Group and the termination penalty payment, if the lease agreement reflects that the Group exercises the termination option. Variable lease payments that do not depend on an index or rates are recognized as an expense in the period in which the event or condition that fulfils the payment requirement occurs.

In computing the present value of lease payments, the Group uses the borrowing rate at the lease commencement date if the rate of return implicit in the lease is not easily determined. After the lease commencement date, the amount of the lease liability is increased to reflect the accumulation of financial expenses and the reduction of the lease payments made.

3. Significant accounting policies (continued)

3/8 Lease Contracts (continued)

B- Lease Liabilities (continued)

The book value of the lease liability is re-measured if there is an amendment or change in the lease term, a change in the fixed rental payments, or a change in the valuation of the contracted asset purchase.

The main assumptions used for the purposes of computing the present value of lease payments are as follows:

Discount rate for cash flows: 4.5%

C- Short-term leases:

The Group applies the exemption granted on short-term leases to such leases (that is, those leases whose lease term is 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as an expense on a straight-line basis over the term of the lease.

D- Significant judgements in determining the lease term for contracts that include renewal options:

The Group defines the lease term as the irrevocable term of the lease, together with any periods covered by the option to extend the lease if that right can reasonably be exercised, or any periods covered by the option to terminate the lease, if it is reasonably certain that the Group will not exercise this right.

Group as a lessor

When the Group is a lessor, it determines, at the commencement of the lease, whether the lease is a finance lease or operating lease.

To classify each lease, the Group performs an overall assessment of whether the lease substantially transfers all risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, otherwise it is an operating lease. As part of this assessment, the Group considers specific indicators such as whether or not the lease term is for the majority of the economic life of the underlying asset.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as income on a straight- line basis over the lease term in the consolidated statement of profit or loss.

3/9- Intangible assets

- Intangible assets with finite lives are amortized over their economic useful lives and are reviewed whenever there is an indication that a decrease in their value may occur. The period and method of amortization of intangible assets that have a specific useful life are reviewed at least once at the end of each financial period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embedded in the asset, are accounted for by changing the amortization period or method, as appropriate and are treated as changes in accounting estimates. The amortization expense of intangible assets with finite lives is included in the consolidated statement of profit or loss in an expense category consistent with the use of the intangible assets.
- Intangible assets that do not have specific useful lives are not amortized, but they are tested annually to ensure that there is no impairment in their value, either individually or at the level of the cash-generating unit. The indefinite useful life is reviewed annually to ensure that the estimate made for it is still correct, and if it is otherwise, the change in the useful life from indefinite to finite is made on a probability of occurrence.
- Profits and losses arising from de-recognition of an intangible asset are measured by the difference between the net sale proceeds and the book value of the asset and are included in the consolidated statement of profits and losses when the asset is derecognised.

It represents the value of registration of the trademark inside and outside the Kingdom of Saudi Arabia. It is amortized on a straight line basis over a period of six years.

It represents the value of computer software and is amortized on a straight-line basis over a period of five years.

3. Significant accounting policies (continued)

3/10 Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventory is determined on the basis of the weighted average price method and includes expenses incurred in acquiring the inventory as well as all other costs incurred in bringing the inventory to its present condition and location. In the case of finished and in-process goods, the cost includes the cost of materials and labor and the appropriate allocation of indirect expenses. Provision is made to meet obsolete, slow-moving and defective stocks, when necessary.

Goods in transit are recognized based on the cost of the goods delivered.

3/10/1 Allowance for obsolete and slow-moving inventory

Inventory is stated at the lower of cost or net realizable value. Adjustments are made to reduce the cost of the goods to their recoverable amount on the basis of an estimate of each financial period, if necessary, at the product level with respect to the estimated surplus, obsolescence balances and impaired balances. Factors influencing such adjustments include changes in demand, material deterioration and quality problems. Accordingly, the necessary provisions are made and reviewed periodically and continuously by the Management in each financial period.

3/11 Trade receivables and other debit balances

Trade receivables and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any transaction costs directly attributable to them.

3/11/1 Impairment of expected credit loss for trade and other receivables

Provision is made for impairment of expected credit losses for trade receivables when there is objective evidence that the Company will not be able to collect all amounts due in accordance with the underlying terms of the transactions. The main financial difficulty of debtors is the possibility of bankruptcy or financial restructuring, or delay in payment. These are indicators of impairment of trade receivables. In respect of large amounts individually, an estimate is made on an individual basis. Amounts that are not individually significant but have expired and have not been repaid, they are estimated collectively and a provisions is made based on the length of the period due based on historical recovery rates.

3/12 Cash and cash equivalents

For the purposes of preparing the cash flow statement, cash and equivalent cash consists of the Fund, banks and murabaha deposits, with a maturity period of three months or less from the date of acquisition

3/13 Finance cost

Finance costs of ownership or creation of an asset that may need time to be ready for the intended purpose are added to the cost of the asset until it is ready for use.

Other finance costs are charged to the statement of profit or loss in the period incurred.

3/14 Employees' defined benefit obligations

Employees' benefits accrue in accordance with the terms and conditions of the Labor Law in Saudi Arabia upon termination of their service contracts and charged to the profit or loss statement. The amount of the liability is calculated on the basis of the present value of the earned bonus to which the employee would be entitled to leave his business at the statement of financial position date. The end-of-service benefit payments are based on the employees' final salaries and allowances and their cumulative years, as defined by the conditions stated in the regulations of the Kingdom of Saudi Arabia. An actuarial expert calculates the specific benefit obligations which include actuarial gains and losses within the other comprehensive income immediately, if any. The Company determines the interest expense for the liability for the specific bonuses for the period using the discount rate used to measure the obligation of the bonuses specified at the beginning of the annual period of the liability.

The amendments require the recognition of changes in the liabilities for defined benefits and fair value and the recognition of all accounting profits and losses directly through the consolidated statement of comprehensive income in order to reflect the net asset or liability of the company as recognized in the statement of consolidated financial position.

3. Significant accounting policies (continued)

3/15 Trade payables and accrued expenses

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed to the Group or not.

3/16 Provisions

Provisions are recognized when there is a legal or constructive obligation to the Company arising from a past event, and the Company is likely to settle the obligation with the possibility of making a reliable estimate of that obligation.

3/17 Zakat

Zakat is calculated and provided for by the Company in accordance with the regulations of the Zakat, Tax and Customs Authority and is charged to the statement of profit or loss. Adjustments arising from zakat assessment are settled during the reporting period when the final assessment is issued.

3/18 Revenue recognition

The Group recognizes revenue with customers based on a five-step model. Revenue is recognized when the entity satisfies a performance obligation and transfers promised goods or services to a customer. Revenue is generated primarily from sale of goods. The following five steps are applied:

Step 1: Identify the contract 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 that must be met.

Step 2: Identify the 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 to which the Group expects to be entitled in exchange for the transfer of goods and services to a customer. Transaction price is measured based on the fair value of the received consideration, after taking into account the agreed payment terms, excluding taxes, fees and amounts collected on behalf of third parties. These are recorded net of trade discounts and volume rebates.

Step 4: Allocate the transaction price to the performance obligations in the contract: Where a contract has multiple performance obligations, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognize revenue when (or as) the Group satisfies a performance obligation.

Revenue is measured at the fair value of consideration received or receivable, taking into account trade discounts, prompt settlement discounts and volume rebates allowed by the Group (if any).

- Revenue includes only the total inflows of economic benefits received or receivable to which they relate. All amounts collected to the account of a third party such as income taxes and value added taxes are excluded.

-When the inflow of cash or cash equivalents is deferred and the agreement includes in substance a financing transaction, the fair value of the consideration is the present value of all future receipts that is determined using an imputed interest rate.

The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the present value of all future receipts and the nominal amount of the consideration is recognized as interest income.

3. Significant accounting policies (continued)

3/19 Sales revenue

Sales represent the value of goods, and revenue is recognized net of allowed discounts when delivered to the customer.

3/20 other income

Other income is recognized on an accrual basis.

3/21 Recognition of expenses

All expenses incurred for efficiently running the business and maintaining the property, plant and equipment are charged to the statement of profit or loss to arrive at the net profit for the year. Allocations between cost of sales, general and administrative expenses, and selling and marketing expenses, when required, are made on a consistent basis. Expenses incurred in acquiring, extending or improving a permanent asset in order to continue the normal course of business or increase the ability to earn a business are treated as capital expenditures.

3/22 Segment reporting

The Group operates in one sector (i.e. commercial), which is the sale of foodstuffs, materials and hygiene tools. It is fully operational in the Kingdom of Saudi Arabia. The financial information is not broken down into different business segments or a geography. The financial information related to the subsidiary is not material to the Group's consolidated financial statements for the purpose of segment information.

3/23 Geographic segment

A geographic segment is a group of assets, operations or entities engaged in business activities from which it may earn revenue in an economic environment subject to risks and returns that are different from those of components operating in other economic environments.

3/24 Foreign currency transactions

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Saudi Riyals at the exchange rates prevailing at that date. Gains and losses from settlement and translation are included in the statement of income.

At the consolidated statement of financial position date, the assets and liabilities of the subsidiary are translated into Saudi Riyal at the exchange rates prevailing at that date. The Shareholders' equity items are translated into the exchange rates prevailing at the date of each item. The subsidiary's income and expenses are translated into Saudi riyals based on the weighted average exchange rates during the year. Cumulative adjustments to the resulting foreign currency translation, if any, are recognized as a separate component of Shareholders' equity in the consolidated statement of financial position.

3/25 Financial assets

3/25/1 Initial recognition and measurement

- The Group determines the classification of its financial assets upon initial recognition. The classification depends on the nature of the Group's business to manage the financial assets and the contractual terms of the cash flows.

3. Significant accounting policies (continued)

3/25 Financial assets (continued)

3/25/1 Initial recognition and measurement (continued)

Classification

Financial assets are classified into the following measurement categories:

A- Those that are subsequently measured at fair value (either through consolidated comprehensive income, or through consolidated profit or loss).

B- Those measured at amortization cost.

For assets measured at fair value, gains and losses are recorded in the consolidated statement of profit or loss or consolidated statement of comprehensive income. In relation to equity investments, this depends on whether the Group has chosen the method for the initial recognition of the equity investments at fair value through consolidated total comprehensive income.

3/25/2 Measurement

On initial recognition, the Group measures the financial assets at fair value, including if the financial asset is not recognised at fair value through profit or loss, costs incurred directly attributable to the acquisition. The costs of purchasing financial assets are recorded in the consolidated statement of profit or loss at fair value and are recognized as an expense if incurred.

Debt instrument

The subsequent measurement of debt instruments depends on the nature of the Group's use of the assets and the cash flows resulting from the use of that asset. The Group classifies debt instruments at amortized value based on the following:

- The asset is kept within the business activity in order to obtain contractual cash flows,
- The contractual terms clarify specific dates for cash flows, which are principal and interest payments calculated on the amount outstanding.

Amortized cost is calculated after taking into account any discount or premium on purchase and fees or costs that are an integral part of the effective interest rate. Employee and shareholder loans to joint venture companies are stated at amortized cost.

Equity instrument

If the Group chooses to present the fair value method for gains and losses from equity investments in the consolidated statement of comprehensive income, then the fair value gains or losses will not be reclassified subsequently in the consolidated statement of profit or loss. Dividends from these investments are recognized in the consolidated statement of profit or loss as other income when the Group's right to receive payment is established. There is no requirement to account for impairment of equity investments measured at FVOCI. Changes in the fair value of financial assets are recognized as profit or loss in the statement of consolidated profit or loss.

3/25/3 Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to cash flows expire or upon transfer of the financial asset and the risks and benefits associated with its ownership to another party. If the Group does not transfer or retain all of the risks and rewards of owning the asset and continues to control the transferred asset, the Group recognizes its retained interest in the related assets and liabilities for the amounts that it may have to pay. If the Group retains all risks and rewards of the excluded asset, then the Group continues to recognize the financial asset and also recognizes the guaranteed borrowing of the returns received.

3/25/4 Impairment in value of financial assets

- The Group applies the expected credit loss model (ECL) to measure and prove the loss of impairment in the value of financial assets and exposure to credit risk for debt instruments and it is measured at amortized cost such as loans, deposits and receivables.

3. Significant accounting policies (continued)

3/25 Financial assets (continued)

3/25/4 Impairment in value of financial assets (continued)

- Expected credit losses are a weighted estimate of the probability of credit losses (that is, the present value of all cash deficits) divided by the expected life of the financial asset. Cash shortages are the difference between the cash flows due according to the contract and the cash flows that the Group expects to receive. Expected credit losses take into account the amount and timing of payments and consequently credit losses arise even if the Group expects to receive the payment in full but later than the due date specified in the contract. The ECL method requires an assessment of the credit risk, default and timing of collection since the initial recognition. This requires that an expected credit loss allowance is recognized in the consolidated statement of profit or loss as well as for newly created or acquired receivables.
- The decline in the value of financial assets is measured by either 12-month expected credit losses or expected credit losses over the life of the asset, depending on whether there has been a significant increase in credit risk since the creation of the asset. 12-month ECL represents expected credit losses arising from default events that may be possible within 12 months after the end of the financial year. Life expectancy of credit losses represent any expected credit losses that would arise from all possible events of delinquency over the expected life of the financial asset.
- Accounts receivables are short-term and usually due in less than 12 months. Therefore, the credit loss allowance is calculated in a manner that does not differ from the 12-month period, which is the expected life of the receivables. The Group uses the practical method in IFRS 9 ("Financial Instruments") to measure expected credit losses for receivables using a provision matrix based on the ages of receivables.
- The Group uses past and historical experiences and loss rates based on the basis of the past 36 months, where historical loss rates are adjusted to reflect information on current conditions and future expectations of future economic conditions. The loss rates differ based on the age of the receivables and are usually higher the older the receivables.

3/25/5 Income recognition

Finance cost

For all financial instruments that are measured at amortized cost and prevailing commission rate financial assets, finance cost is recognized using the prevailing commission rate, which is the rate that discounts estimated future cash receipts over the expected life of the financial instrument or a shorter period, to the net book value of the financial asset.

When the value of loans and receivables decreases, the Group reduces the carrying amount to the recoverable value, which is the estimated future cash flows discounted at the original prevailing commission rate of the instrument and books the discount as Finance cost. Finance cost is recognized on financial assets that are impaired in value using the original finance cost.

Dividends distribution

Dividends received from financial instruments are recognized in the consolidated statement of profit or loss only when the right to receive the payments is established, and also when it is probable that future economic benefits associated with the dividend will flow, and can be measured accurately.

3/26 Financial Liabilities

3/26/1 Non-derivative financial liabilities

- All financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are offset and the net amount is included in the consolidated balance sheet when and only when there is a legal right for the Group to set off the amounts realized and when the Group has the intention to settle the assets with liabilities on a net basis or sell the assets and pay the liabilities simultaneously.
- Non-derivative financial liabilities include bank facilities, payables and other payables. These financial liabilities are initially recognized at fair value plus any transaction costs directly attributable to them. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the prevailing (effective) commission rate method. The Group derecognises a financial liability when the obligation specified in the contract is performed, cancelled or expires.

3. Significant accounting policies (continued)

3/26 Financial Liabilities (continued)

3/26/2- Derecognition of financial liabilities

The derecognition of a financial liability when the obligation specified in the contract is fulfilled, cancelled or expired, and when an existing financial liability is replaced by another liability from the same lender under substantially different terms, or the terms of the existing financial liability have been modified substantially. This replacement or amendment is treated as a cancellation of the original liability and recognition of the new liability. The differences in the relevant book value are included in the statement of consolidated profit or loss.

3/26/3 Offsetting the financial assets and liabilities

Financial assets and liabilities are offset and the net amount is included in the consolidated balance sheet when and only when there is a legal right for the Group to set off the amounts realized and when the Group has the intention to settle the assets with liabilities on a net basis or sell the assets and pay the liabilities simultaneously.

3/27 Impairment in the value of non-financial assets

- The Group evaluates the carrying value of the non-financial assets, excluding inventories, at each consolidated financial position date, to assess if there is any indication of impairment in their value. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets with no specified useful lives are tested annually to see if there is impairment in their value. An impairment loss is recognized if the carrying amount of the asset or cash-generating unit exceeds its recoverable amount.
- A non-current asset is considered to be impaired if its book value is higher than its recoverable value. In determining an impairment loss, the Group compares the carrying amount of the non-current asset with the estimated undiscounted cash flow of the asset in use. In the event that the carrying value exceeds the undiscounted estimated cash flow of the asset in use, the Group estimates the present value of the estimated future cash flows of the asset. An excess of the carrying amount over the present value of the estimated future cash flows is considered an impairment loss.
- An impairment loss is recognized immediately in the consolidated statement of profit or loss. If the impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable value, so that it does not exceed the carrying amount that would have been determined had no impairment loss been recognized in the asset's value in previous years. The reversal of an impairment loss is recognized immediately in the consolidated income statement.

3/28 New standards and interpretations issued but not effective

a) New and amended standards that do not have a material impact on the financial statements.

The following are the recent changes to IFRS that must be applied in annual periods beginning on January 1, 2023.

- International Financial Reporting Standard (17) - "Insurance Contracts"
- Disclosure of accounting policies, amendments to International Accounting Standard (1) and the Statement of Practice.
- Definition of accounting estimate Amendments to the International Accounting Standard.
- Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction, these amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
- Amendments to IAS 8 – The amendments aim to improve accounting policy disclosures and to help users of financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

The application of the amended standards did not have any material impact on the amounts recognized in the current and prior years.

b) Standards issued but not yet effective

The standards and interpretations issued but not yet effective until the date of issuance of the company's interim financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- Classifying liabilities as current or non-current. Amendments to International Accounting Standard (1) apply to annual periods beginning on or after January 1, 2024. That date.
- Lease obligations in sale and leaseback transactions Amendments to IFRS 16 apply to annual periods beginning on or after January 1, 2024.
- Non-current liabilities with commitments Amendments to International Accounting Standard (1), applicable to annual periods beginning on or after January 1, 2024.
- Sale or contribution of assets between the investor and the associate or joint venture. Amendments to IFRS (10) and IAS (28)), the effective date will be determined later.
- Supplier financing arrangements - amendments to IAS 7 and IFRS 7, applicable to annual periods beginning on or after January 1, 2024.
- Inability to exchange a foreign currency - amendments to International Accounting Standard (21), applicable to annual periods beginning on or after January 1, 2025.
- 5.2.4. Amendents to IAS 27 – Lack of exchangeability.
- IFRS S1, 'General requirements for disclosure of sustainability-related financial information,
- this standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.
- IFRS S2, 'Climate-related disclosures', this is the first thematic standard issued that sets out requirements for entities to disclose information about climate related risks and opportunities.

These above standards' amendments are not expected to have a material impact on the Company's financial statements.

(All amounts are in Saudi Riyals unless otherwise stated)

4. Property, Plant and equipment, net

	Land	* Buildings and fixtures	Machinery	Equipment	Motor Vehicle	Furniture and fixture	Devices and Tools	Templates and Shelves	Total
Cost									
Balance as at January 1, 2023	1,484,850	39,035,773	1,907,344	3,744,872	5,456,041	2,191,541	2,395,153	3,368,345	59,583,919
Additions during the year	-	6,060	34,000	37,850	105,000	108,838	106,321	89,269	487,338
Disposals during the year	-	-	-	-	(562,150)	-	-	-	(562,150)
Balance as at December 31, 2023	**1,484,850**	**39,041,833**	**1,941,344**	**3,782,722**	**4,998,891**	**2,300,379**	**2,501,474**	**3,457,614**	**59,509,107**
Accumulated depreciation									
Balance as at January 1, 2023	-	12,137,756	940,808	3,327,025	4,820,301	1,320,331	2,058,913	2,866,913	27,472,047
Depreciation charged during the year	-	1,918,008	136,422	234,670	252,767	230,166	165,984	274,519	3,212,536
Disposals during the year	-	-	-	-	(562,150)	-	-	-	(562,150)
Balance as at December 31, 2023	-	**14,055,764**	**1,077,230**	**3,561,695**	**4,510,918**	**1,550,497**	**2,224,897**	**3,141,432**	**30,122,433**
Net book value									
As at December 31, 2023	**1,484,850**	**24,986,069**	**864,114**	**221,027**	**487,973**	**749,882**	**276,577**	**316,182**	**29,386,674**
As at December 31, 2022	**1,484,850**	**26,898,017**	**966,536**	**417,847**	**635,740**	**871,210**	**336,240**	**501,432**	**32,111,872**

* Buildings on leased land within the land of Baazeem Packaging and Detergent Factory built on land leased from the Ministry of Municipal and Rural Affairs for a period of 20 years ending on 2/2/2038.

4.1 Depreciation charged during the year is allocated as follows:

	31 December 2023	31 December 2022
Charged to Cost of revenue	2,279,845	2,393,769
Charged to Selling and marketing expenses (Note 20)	375,451	389,278
Charged to General and administrative expenses (Note 21)	557,240	558,143
	3,212,536	**3,341,190**

(All amounts are in Saudi Riyals unless otherwise stated)

5. Lease contract:

5/1 Right of use assets, net

	31 December 2023	31 December 2022
Balance at the beginning of the year	2,645,194	2,810,514
Depreciation during the year	(165,320)	(165,320)
Balance at the end of the year	**2,479,874**	**2,645,194**

5/2 Long term lease liability

The movement in lease liabilities for the year is as follows:

	31 December 2023	31 December 2022
Balance at the beginning of the year	2,686,027	2,806,300
Finance costs during the year (note 23)	128,497	133,909
Lease payments during the year	(254,182)	(254,182)
Balance at the end of the year	**2,560,342**	**2,686,027**

The table below shows the lease commitments of the Group on the basis of the contractual maturity date:

	31 December 2023	31 December 2022
lease liabilities - non-current portion	2,429,001	2,560,342
lease liabilities – current portion	131,341	125,685
Total lease liabilities	**2,560,342**	**2,686,027**

6. Intangible assets, Net

	31 December 2023	31 December 2021
Computer software	1	1
Trademarks	791,719	1,477,130
	791,720	**1,477,131**

The following table summarizes the movement on intangible assets:

	31 December 2023	31 December 2022
Cost		
Balance at the beginning of the year	4,400,245	4,400,245
Additions during the year		-
Balance at the end of the year	**4,400,245**	**4,400,245**
Accumulated amortization		
Balance at the beginning of the year	2,923,114	2,237,701
Amortization during the year (note 20)	685,411	685,413
Balance at the end of the year	**3,608,525**	**2,923,114**
Net book value	**791,720**	**1,477,131**

(All amounts are in Saudi Riyals unless otherwise stated)

7. Financial assets at fair value through other comprehensive income

Company Name	Country of Incorporation	The Main Activity	Shareholding Percentage 2023	Shareholding Percentage 2022	Acquisition Cost	31 December 2023	31 December 2022
Shamil Bank of Yemen and Bahrain – Joint Stock	Republic of Yemen	Finance	8.96%	8.96%	10,189,262	1	1
Burum Seafood Company - Joint Stock	Republic of Yemen	Industrial	11.50%	11.50%	4,317,290	1	1
Al-Mawarid Company for Education & Health Services - Joint Stock	Republic of Yemen	Services	1.70%	1.70%	3,874,173	1	1
					18,380,725	**3**	**3**

7/1 In the light of the Company's Board's constant monitoring of the status of investments in the Republic of Yemen, which has been going through tumultuous economic conditions and the impact of the same on the consolidated financial statements, and due to the Management's inability to determine the impairment of the said investments because of the circumstances, the Company's Management amortized during 2019 the Company's investments in the Republic of Yemen.

(All amounts are in Saudi Riyals unless otherwise stated)

8. Inventory, net

	31 December 2023	31 December 2022
Material and cleaning tools	41,451,482	50,464,554
Food stuff	3,504,994	12,143,391
Packing and packaging materials	906,071	1,471,748
Goods in transit	2,409,697	2,164,827
	48,272,244	**66,244,520**

The impairment in value of inventory movement is as follows:

	31 December 2023	31 December 2022
Balance at the beginning of the year	-	-
Changed during the year (Note22)	1,616,104	1,276,938
Used during the year	(1,616,104)	(1,276,938)
Balance at the end of the year	-	-

9. Trade receivables and other debit balances, net

	31 December 2023	31 December 2022
Trade receivables	109,110,517	94,140,823
Zakat, tax and customs Authority (Note 17/3)	5,712,899	6,538,580
Employee advances	1,622,916	1,626,036
Prepaid expenses and other debit balances	1,350,674	1,746,529
Advanced to suppliers	663,671	529,433
Other debtors	139,414	366,354
	118,600,091	**104,947,755**
Impairment in value of trade receivables	(3,793,994)	(2,613,522)
Impairment in value of other debit balances	(1,000,000)	(1,000,000)
	113,806,097	**101,334,233**

The impairment in value of trade receivables movement is as follows:

	31 December 2023	31 December 2022
Balance at the beginning of the year	2,613,522	3,039,831
Charged during the year (Note 22)	1,313,616	1,142,185
Used during the year	(133,144)	(1,568,494)
Balance at the end of the year	**3,793,994**	**2,613,522**

(All amounts are in Saudi Riyals unless otherwise stated)

9. Trade receivables and other debit balances, net (Continued)

The impairment in value of other receivables movement is as follows:

	31 December 2023	31 December 2022
Balance at the beginning of the year	1,000,000	-
Charged during the year (Note 22)	568,593	1,000,000
Used during the year	(568,593)	-
Balance at the end of the year	**1,000,000**	**1,000,000**

10. Cash and Cash equivalent

	31 December 2023	31 December 2022
Banks – current accounts	19,456,777	43,314,480
Cheques under collection	3,045,632	2,473,758
* Term deposits	22,515,000	-
	45,017,409	**45,788,238**

* Short-term deposits mature over varying periods ranging from one month to three months from the date of deposit, depending on the cash liquidity needs of the group and these agreements are compatible with the provisions of Islamic Sharia.

11. Share capital

The Company's share capital is SAR 101,250,000 consists of 10,125,000 shares with a nominal value of SAR 10 per share. The founders subscribed to the entire share capital of the company as shares in-kind. On 27 Safar 1438H (corresponding to November 27, 2016) the Board of Directors of the Company and the shareholders in the Extraordinary General Assembly decided to issue 3,037,500 shares representing 30% of the Company's shares in the parallel market. On 19 Rabi Al-Thani 1438H (corresponding to January 17, 2017), the Board of Directors of the Capital Market Authority (CMA) approved the prospectus of Baazeem Trading Company, a Saudi Joint Stock Company - Listed).

On November 28, 2019, the Capital Market Authority approved the request submitted by the Company on October 8, 2019 to transfer from the parallel market to the principal market. The Company's shares have been listed and traded on the principal market as of December 4, 2019.

12. Statutory reserve

The statutory reserve is formed by setting aside 10% of the net income annually. The Ordinary General Assembly may discontinue this allocation when the said reserve reaches 30% of the share capital.

13. Employees' defined benefit obligations

	31 December 2023	31 December 2022
Balance at beginning of the year	9,073,585	8,658,766
Charge during the year	872,957	894,685
Finance costs	448,529	236,470
Actuarial (gains) / losses	(246,945)	673,022
Paid during the year	(1,692,140)	(1,389,357)
Balance at the end of the year	**8,455,986**	**9,073,586**

(All amounts are in Saudi Riyals unless otherwise stated)

13. Employees' defined benefit obligations (continued)

Assumptions used for calculating the provision are as follows:

	31 December 2023	31 December 2022
Retirement age	60	60
Discount rate	4.68%	5%
Annual salary increase rate	5%	5%

Sensitivity analysis in case of a key component Change

	31 December 2023	31 December 2022
Increase in the annual salaries increment rate at 1%	9,013,410	9,613,003
Decrease in the annual salaries increment rate at 1%	7,762,780	9,561,123
Increase in the discount rate at 1%	7,801,251	8,970,585
Decrease in the discount rate at 1%	8,981,253	8,404,663

The charged during the year is allocated as follows:

	31 December 2023	31 December 2022
Charged to cost of revenue	204,848	227,135
Charged to selling and marketing expenses (Note20)	812,000	719,633
Charged to general and administrative expenses (Note21)	304,638	184,387
	1,321,486	**1,131,155**

14. Banks - Credit facilities:

	31 December 2023	31 December 2022
Bank credit facilities for letters of credit	17,041,221	19,842,359
Short-term tawarruq	-	5,000,000
	17,041,221	**24,842,359**

The movement of bank - credit facilities during year as follows:

	31 December 2023	31 December 2022
Balance at the beginning of the year	24,842,359	16,423,160
Proceeds during the year	105,857,888	152,809,442
Paid during the year	(113,659,026)	(144,390,243)
Balance at the end of the year	**17,041,221**	**24,842,359**

Banks credit facilities represent financing of the working capital, opening documentary credits and tawarruq on documentary credits and financing direct transfers to suppliers in order to finance the company's obligations based on the agreements signed between the company and a number of banks, and these agreements are compatible with the provisions of Islamic Sharia.

(All amounts are in Saudi Riyals unless otherwise stated)

15. Trade payables and credit balances:

	31 December 2023	31 December 2022
Trade payables	6,638,774	9,924,936
Accrued expenses	2,193,619	3,085,137
Value added Tax credit	1,534,812	3,113,517
Provision for annual joint cooperation agreements	1,000,000	-
Staff accounts – Sale commissions	560,170	760,801
Advance from customers	689,518	744,301
Legal provision	240,000	-
Accrued finance cost	-	167,137
Other creditors	5,332	250,047
	12,862,225	**18,045,876**

16. Transactions with related parties

16/1 Salaries, allowances and remuneration of senior executives

Senior executives are those who exercise authority and responsibility in planning, directing and controlling the Company's activities, directly or indirectly.

The item of salaries and employees' costs and equivalents during the last years includes the following:

	Note	31 December 2023	31 December 2022
Senior Executives and Board of Directors		1,812,444	1,736,465
Board of Directors' Remuneration	21	2,125,000	2,680,000

16/2 Due to related parties

	Nature of Relationship	31 December 2023	31 December 2022
Accrued dividend	Shareholders	**376,254**	**376,254**

17. Zakat payable

17/1 The approximate components of Company's zakat base are as follows:

	31 December 2023	31 December 2022
Equity	173,780,362	170,238,486
Provisions and liabilities	11,683,164	13,104,800
Adjusted profits for the year	32,068,702	28,067,303
Items deducted from zakat base	(47,328,016)	(49,183,268)
zakat base	**174,496,558**	**166,396,114**
Calculated Zakat	**4,362,414**	**4,159,903**
Zakat (against investment in Qatar) at 2.5%	35,935	30,212
Total Zakat	**4,398,349**	**4,190,115**

- Zakat payable is assessed at the highest of 2.5% more Zakat base or the net adjusted income.
- Zakat was computed on the basis of 2.5% of the zakat base.

(All amounts are in Saudi Riyals unless otherwise stated)

17. Zakat payable (continued)

17/2 Movement in accrued zakat

	31 December 2023	31 December 2022
Balance at beginning of the year	4,194,985	4,284,044
Paid during the year	(4,190,115)	(4,279,174)
Formed during the year	4,398,349	4,190,115
Balance at the end of the year	**4,403,219**	**4,194,985**

17/3 Zakat status

- During 2023, the Company received the final assessment for the years 2019-2020. The ZATCA claimed zakat differences amounting to SAR 479,907. The company paid the amount in 2024.

-The company submitted its zakat returns until 2022 and obtained a final certificate for the year 2022.

Value Added Tax (VAT):

- During the year 2020, the company obtained an adjusted assessment of value added tax, where the authority demands the company for tax differences in the amount of SAR 5,994,256 for the years 2018 and 2019, and based on the authority's initiative that if the principal amount is paid, the fines will be dropped, so the company has paid the original value-added tax difference In the amount of SAR 2,427,910, the Authority will then remove the amount of the fine for error in entry and the fine for delay in payment. The company has submitted an objection to the Zakat, Tax and Customs Authority, and the objection was rejected. The company then submitted a settlement request, but no agreement was reached with the settlement committee. Accordingly, the objection was submitted to the Committee for Adjudication of Tax Violations and Disputes, and a session was set on March 27, 2022, during which a ruling was issued to dismiss the company's lawsuit, and the ruling was deposited with the General Secretariat of Tax Committees on May 06, 2022. The company filed an appeal on the lawsuit on June 27, 2022, and the appeal request was registered for the lawsuit No. 134517-2022-V and on June 27, 2022, with the General Secretariat of the Tax Committees

- During the year 2023, the General Secretariat of Tax Committees issued a decision to accept the company's lawsuit and return the amounts paid for some periods in the amount of 1,570,310 Saudi riyals and deduct an amount of 289,007 Saudi riyals from the value-added declaration for the month of November 2023. Thus, the company has finished settling its position with the Authority regarding the assessment. rate above.

-During the year 2021, the company obtained an assessment of value-added tax for the months of June and December 2020 and a number of other months, where the tax authority requires the company to tax differences in the amount of SAR 4,110,670 in addition to fines for error in the declaration and fines for late payment for the year 2020, and the company has paid These amounts were submitted to the tax authority on September 28, 2021, so that it could submit an objection for the months of June and December, while the differences for the remaining months were paid without objection. The company submitted an objection for the months of June and December to the Zakat, Tax and Customs Authority, and the objection was rejected on February 6, 2022. On March 1, 2022, the company filed an objection case No. 92699-2022-V to the General Secretariat of the Tax Committees, and a hearing was scheduled for October 27, 2022, during which consideration of the case was postponed to November 30, 2022, The decision of the General Secretariat of Tax Committees was received and the company filed an objection request against it on April 10, 2023. The request was registered with the General Secretariat of Tax Committees under No. V-2023-191863. The tax advisor believes that the company's position is good, as the objected item does not represent taxable revenue, but rather a deduction from an external supplier.

-The company submitted its tax returns for the years from 2018 to 2023, according to its inputs and outputs.

18. Revenue, net

	31 December 2023	31 December 2022
Revenues within the Kingdom of Saudi Arabia	276,163,433	291,823,005
Revenues outside the Kingdom of Saudi Arabia	12,924,024	11,237,047
Less: Discounts granted to customers	(31,981,873)	(39,706,561)
	257,105,584	**263,353,491**

(All amounts are in Saudi Riyals unless otherwise stated)

19. Cost of Revenue

	31 December 2023	31 December 2022
Inventory at beginning of the year (except goods in transit)	64,079,693	61,012,589
Purchases during the year	126,735,378	156,338,459
Other direct expenses	13,231,406	12,200,748
	204,046,477	**229,551,796**
Inventory at end of the year (except goods in transit)	(45,862,547)	(64,079,693)
	158,183,930	**165,472,103**

20. Selling and marketing expenses

	Note	31 December 2023	31 December 2022
Agreements of publicity, festivals and offers		28,504,550	26,305,996
Salaries, wages and related		12,918,979	9,437,126
Incentives and sales' commissions		2,217,984	5,652,050
Transport and loading of goods		1,559,533	1,043,141
Employees' defined benefits obligations	13	812,000	719,633
Residence permits and licenses fees		802,061	1,163,767
Amortization of intangible assets	6	685,411	685,413
Depreciation of property, plant and equipment	4/1	375,451	389,278
New products offers		237,307	389,440
		48,113,276	**45,785,844**

21. General and administrative expenses

	Note	31 December 2023	31 December 2022
Salaries, wages and related		12,699,091	13,772,546
Board of directors' remuneration	16	2,125,000	2,680,000
Iqamas and licenses fees		896,032	876,090
Rental		793,646	738,134
Professional and consulting fees		656,090	440,058
Postage and telephone		598,273	926,257
Insurance expenses		583,751	588,666
Depreciation of property, plant and equipment	4/1	557,240	558,143
Training and promotion expenses		421,558	296,630
Buffet and cleaning		338,962	298,069
Employees' defined benefits obligations	13	304,638	184,387
Maintenance and repairs		217,954	162,812
Stationery and printings		116,211	71,182
Other		1,343,540	1,100,984
		21,651,986	**22,693,958**

(All amounts are in Saudi Riyals unless otherwise stated)

22. Other expenses, Net

	Note	31 December 2023	31 December 2022
Capital gain on disposal of property, plant and equipment		(101,684)	(936,480)
Impairment in value of trade receivables	9	1,313,104	1,142,185
Impairment in value of inventory	8	1,616,104	1,276,938
Impairment in value of debit balances	9	568,593	1,000,000
Legal expense		240,000	240,000
		3,636,629	**2,482,643**

23. Finance cost

	Note	31 December 2023	31 December 2022
Finance charges and costs		393,549	859,404
Interests on lease liabilities	5	128,497	133,909
		522,046	**993,313**

24. Commitments and contingent liabilities

	31 December 2023	31 December 2022
letters of credit	55,429,847	22,149,999

25. Earnings per Share

The calculation of basic/diluted earnings per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding. Earnings per share as at December 31, 2023 has been calculated on the basis of the weighted average number of shares outstanding during the year amounting to 10,125,000 shares (December 31, 2022: 10,125,000 shares). There are no potential dilutive ordinary shares. The diluted earnings per share is the same as the basic earnings per share since the Group has neither convertible securities nor discounting financial instruments to exercise.

	31 December 2023	31 December 2022
Profit from operations	25,759,763	26,918,943
Net profit for the year	21,650,725	21,775,721
Weighted average number of shares	**10,125,000**	**10,125,000**
Basic and diluted earnings per share from profit from operations	**2.52**	**2.66**
Basic and diluted earnings per share from net profit for the year	**2.14**	**2.15**

26. Financial instruments and risk management

26/1 Fair value measurement

-The fair value is the value at which assets were sold or liabilities paid between willing parties on an arm's length basis at the date of measurement. Within the definition of fair value there is an assumption that the company is a going concern entity where there is no intention or condition to limit materially the size of its operations or conducting a transaction on adverse terms.

-Classification of fair value into different levels in the fair value hierarchy based on the inputs used in valuation methods as follows:

First Level: The market prices disclosed in active markets for similar assets or liabilities that can be acquired at date of valuation.

Second Level: Inputs other than the market prices as stated in the first level, which can be observed directly (similar prices) or indirectly.

Third Level: Inputs for assets or liabilities that are not based on data of observable market and are not observable directly or indirectly from the market.

26/2 Capital Management

For the purpose of managing the Group's capital, capital includes share capital and all other equity reserves belonging to the Group's owners. The main purpose of the Group's capital management is to maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of financial covenants. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The group monitors capital using a leverage ratio; This is net debt divided by total equity plus net debt. The Group's liabilities include net debt, term loans, trade accounts payable, accrued expenses and other credit balances, less bank balances.

	31 December 2023	31 December 2022
Banks - credit facilities	17,041,221	24,842,359
Trade payables and other credit balances	12,862,225	18,045,876
Due to related parties	376,254	376,254
Lease liabilities - current portion	131,341	125,685
Less: Cash and cash equivalents	(45,017,409)	(45,788,238)
Net debt	**(14,606,368)**	**(2,398,064)**
Total Shareholder's equity	194,054,774	190,382,104
Leverage rate	**% (7.52)**	**% (1.26)**

26/3 Foreign currency risk management

The Company does not have assets or liabilities in foreign currency as at the reporting date and it was not exposed to the fluctuation risk of foreign currency.

Company transactions are made in Saudi Riyals. The Management monitors currency rate fluctuations and believes that a currency risk is not material.

26. Financial instruments and risk management (continued)

26/4 liquidity risks

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset, The Group's approach to managing liquidity by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group seeks continuously to comply with its legal obligations, including any, relating to its financing agreements.

26/5 Credit risk

Credit risk is the risk that other parties will not be able to meet their contractual obligations to the Company, which may result in a financial loss to the Company. The concentrations of potential credit risk include mainly trade receivables and short-term cash investments. Short term cash investments are deposited with banks having a high credit rating. The Company's Management believes that there are no concentrations of credit risk for which no adequate provision has been made as at the reporting date.

27. Dividend:

The Board of Directors of the company decided based on a prior authorization from the company's general assembly at their meeting on August 10, 2023, to distribute cash dividends to the company's shareholders for the first half fiscal year 2023, with an amount of (SAR 7,087,500) distributed on the number of shares of 10,125,000 shares, 0.70 Saudi riyals per share, distribution ratio of nominal value is 7%.

The company's ordinary general assembly approved at their meeting on May 2, 2023, on the recommendation of the company's board of directors, to distribute cash dividends to the company's shareholders for the second half fiscal year 2022, with an amount of (SAR 11,137,500) distributed on the number of shares of 10,125,000 shares, 1.10 Saudi riyals per share, distribution ratio of nominal value is 11%.

The Board of Directors of the company decided based on a prior authorization from the company's general assembly at their meeting on August 9, 2022, to distribute cash dividends to the company's shareholders for the first half of the fiscal year 2022, with an amount of (SAR 7,087,500) distributed on the number of shares of 10,125,000 shares, 0.70 Saudi riyals per share, distribution ratio of nominal value is 7%.

The Board of Directors of the company decided based on a prior authorization from the company's general assembly at their meeting on March 13, 2022, to distribute cash dividends to the company's shareholders for the fiscal year 2021, with an amount of (SAR 17,718,750) distributed on the number of shares of 10,125,000 shares, 1.75 Saudi riyals per share, distribution ratio of nominal value is 17.5%. it approved in the general assembly's on May 9, 2022.

28. Subsequent events

Management believes that there are no significant subsequent events from the date of the statement of financial position on December 31, 2023 until the date of approval of these financial statements that may have a material impact on the group's financial position.

29. Comparative figures:

Certain comparative figures have been reclassified to conform with the presentation for the year ended December 31,2023.

30. Approval of the consolidated financial statements

The consolidated financial statements for the year ended on 31 December 2023 were approved by the Company's Board of Directors on 7 Ramadan1445 H (corresponding to 17 March 2024 G).