

**Nice One Beauty Digital Marketing Company
(Formerly: Product Sea Trading Company)
(A Saudi Joint Stock Company)**

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

31 December 2024

Nice One Beauty Digital Marketing Company
(Formerly: Product Sea Trading Company)
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
At 31 December 2024

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INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Nice One Beauty Digital Marketing Company
(A Saudi Joint Stock Company)**

Opinion

We have audited the consolidated financial statements of Nice One Beauty Digital Marketing Company and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Nice One Beauty Digital Marketing Company
(A Saudi Joint Stock Company) (continued)

Key Audit Matters (Continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| <p>Revenue recognition</p> <p>During the year ended 31 December 2024, the Group has recognized revenue amounting to SR 1.0 billion (2023: SR 782.3 million).</p> <p>The Group recognizes revenue upon satisfaction of performance obligations at a point in time and is measured at the fair value of the consideration received or receivable, taking into account terms of payment and excluding any taxes and duties as applicable.</p> <p>We considered revenue recognition to be a key audit matter as the Group focuses on revenue as a key performance measure, which could create an incentive for revenue to be recognized before control has been transferred. Further, the application of the IFRS accounting standard as endorsed by SOCPA for revenue recognition involves estimation and judgment including assessment of right of return along with refund liability and timing of satisfaction of performance obligations.</p> <p><i>Refer to note (4) to the consolidated financial statements for the material accounting policy information of revenue recognition, note (21) for the disclosure of revenue and note (3) for the estimates and judgments.</i></p> | <p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> • Understood the Group's process for recognizing revenue, including manual and automated elements of internal control and key accounting aspects associated with the same including customer rights of return and timing of satisfaction of performance obligations; • Evaluated the appropriateness of revenue recognition policies in line with IFRS accounting standard as endorsed by SOCPA; • Involved our IT specialists in testing the design, implementation and operating effectiveness of internal controls related to automated aspects of revenue recognition; • Tested, on a sample basis, revenue transactions that occurred during the year and inspected the supporting documents (including invoice, delivery evidence etc.); • Tested, on a sample basis, transactions taking place before and after the reporting date to evaluate whether revenue was recognised in the proper accounting period; • Tested, on a sample basis, return transactions that occurred during the year and immediately after the reporting date along with supporting documents to assess appropriateness of revenue recognized near year end; • Performed analytical procedures by comparing revenue with prior year, identifying trends in revenue during the year and analyzing variances; and • Assessed the adequacy of the relevant disclosures in the consolidated financial statements. |

INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Nice One Beauty Digital Marketing Company
(A Saudi Joint Stock Company) (continued)**

Other information included in The Group's 2024 Annual Report

Other information consists of the information included in the Group's 2024 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2024 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the applicable provisions of the Regulations for Companies, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance i.e, the Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Nice One Beauty Digital Marketing Company
(A Saudi Joint Stock Company) (continued)**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Nice One Beauty Digital Marketing Company
(A Saudi Joint Stock Company) (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, actions taken to eliminate threats or safeguards applied.

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

for Ernst & Young Professional Services



Abdullah A. Alshenaibir
Certified Public Accountant
License No. (583)



Riyadh: 10 Ramadan 1446H
(10 March 2025G)

Nice One Beauty Digital Marketing Company
(formerly: Product Sea Trading Company)
(A Saudi Joint Stock Company)


CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

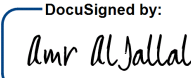
| | Notes | 31 December 2024 SR | 31 December 2023 SR |
|---|-------|---------------------------|---------------------------|
| ASSETS | | | |
| NON- CURRENT ASSETS | | | |
| Property and equipment | 5 | 90,769,561 | 62,972,121 |
| Intangible assets | 6 | 1,195,881 | 1,422,498 |
| Right-of-use assets | 15 | 12,659,770 | 11,582,690 |
| | | 104,625,212 | 75,977,309 |
| CURRENT ASSETS | | | |
| Inventories, net | 7 | 254,540,000 | 150,784,552 |
| Trade receivables | 8 | 34,315,476 | 18,871,726 |
| Amounts due from related parties | 18 | 14,830,181 | - |
| Prepayments, advances and other receivables | 9 | 71,891,581 | 33,898,467 |
| Cash and cash equivalents | 10 | 49,976,430 | 69,705,549 |
| | | 425,553,668 | 273,260,294 |
| TOTAL ASSETS | | 530,178,880 | 349,237,603 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Share capital | 11 | 110,000,000 | 1,063,000 |
| Statutory reserve | 12 | 318,900 | 318,900 |
| Retained earnings | | 75,539,556 | 84,152,623 |
| Additional contribution to capital | 13 | - | 27,136,000 |
| TOTAL EQUITY | | 185,858,456 | 112,670,523 |
| NON-CURRENT LIABILITIES | | | |
| Long term borrowings | 14 | 7,894,743 | 13,157,899 |
| Lease liabilities | 15 | 8,446,505 | 8,008,752 |
| Employees' defined benefit liabilities | 16 | 6,893,215 | 4,729,208 |
| | | 23,234,463 | 25,895,859 |
| CURRENT LIABILITIES | | | |
| Current portion long term borrowings | 14 | 5,263,156 | 5,263,156 |
| Current portion of lease liabilities | 15 | 3,693,944 | 3,282,185 |
| Trade payables, accruals and other payables | 17 | 245,136,089 | 168,200,064 |
| Short-term borrowings | 14 | 61,142,696 | 23,258,418 |
| Zakat provision | 19 | 4,037,446 | 2,667,398 |
| Amounts due to related parties | 18 | 1,812,630 | - |
| Dividend payable | 20 | - | 8,000,000 |
| TOTAL CURRENT LIABILITIES | | 321,085,961 | 210,671,221 |
| TOTAL LIABILITIES | | 344,320,424 | 236,567,080 |
| TOTAL LIABILITIES AND EQUITY | | 530,178,880 | 349,237,603 |



Chief Financial Officer

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Chief Executive Officer

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Chairman of the Board of Directors

The attached notes 1 to 32 form an integral part of these consolidated financial statements.


Nice One Beauty Digital Marketing Company
(formerly: Product Sea Trading Company)
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2024

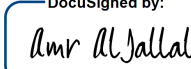
| | Notes | 31 December 2024 SR | 31 December 2023 SR |
|---|-------|---------------------------|---------------------------|
| Revenue | 21 | 1,003,512,887 | 782,355,101 |
| Cost of sales | | (734,334,014) | (565,800,328) |
| GROSS PROFIT | | 269,178,873 | 216,554,773 |
| Selling and marketing expenses | 22 | (141,377,056) | (144,093,192) |
| General and administrative expenses | 23 | (48,850,201) | (36,709,931) |
| OPERATING PROFIT | | 78,951,616 | 35,751,650 |
| Finance cost | 24 | (4,738,161) | (3,125,897) |
| Other income - net | 25 | 852,623 | 2,998,729 |
| PROFIT BEFORE ZAKAT | | 75,066,078 | 35,624,482 |
| Zakat charge for the year | 19 | (3,320,892) | (3,000,000) |
| NET PROFIT FOR THE YEAR | | 71,745,186 | 32,624,482 |
| OTHER COMPREHENSIVE INCOME | | | |
| <i>Item that will not be reclassified subsequently to profit or loss:</i> | | | |
| Remeasurement loss on employees' terminal benefits | 16 | (799,819) | (434,931) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 70,945,367 | 32,189,551 |
| Basic and diluted earnings per share | 30 | 0.65 | 0.30 |



Chief Financial Officer

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Chief Executive Officer

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Chairman of the Board of Directors

The attached notes 1 to 32 form an integral part of these financial statements.

Nice One Beauty Digital Marketing Company
(Formerly: Product Sea Trading Company)
(A Closed Joint Stock Company)

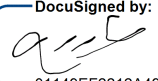
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

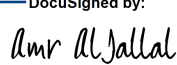
| | <i>Share capital SR</i> | <i>Statutory reserve SR</i> | <i>Additional contribution to capital SR</i> | <i>Retained earnings SR</i> | <i>Total SR</i> |
|--|-----------------------------|-------------------------------------|--|-------------------------------------|---------------------|
| Balance as at 1 January 2023 | 1,063,000 | 318,900 | 27,136,000 | 59,963,072 | 88,480,972 |
| Net profit for the year | - | - | - | 32,624,482 | 32,624,482 |
| Other comprehensive loss | - | - | - | (434,931) | (434,931) |
| Total comprehensive income | | | | 32,189,551 | 32,189,551 |
| Dividends (note 20) | - | - | - | (8,000,000) | (8,000,000) |
| Balance as at 31 December 2023 | 1,063,000 | 318,900 | 27,136,000 | 84,152,623 | 112,670,523 |
| Balance as at 1 January 2024 | 1,063,000 | 318,900 | 27,136,000 | 84,152,623 | 112,670,523 |
| Net profit for the year | - | - | - | 71,745,186 | 71,745,186 |
| Other comprehensive loss | - | - | - | (799,819) | (799,819) |
| Total comprehensive income | | | | 70,945,367 | 70,945,367 |
| Increase in capital (note 11) | 108,937,000 | - | (27,136,000) | (81,801,000) | - |
| Contribution from the shareholders as reimbursement of IPO costs | - | - | - | 2,242,566 | 2,242,566 |
| Balance as at 31 December 2024 | 110,000,000 | 318,900 | - | 75,539,556 | 185,858,456 |



Chief Financial Officer

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Chief Executive Officer

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Chairman of the Board of Directors

The attached notes 1 to 32 form an integral part of these consolidated financial statements.

Nice One Beauty Digital Marketing Company
(Formerly: Product Sea Trading Company)
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

| | | 31 December 2024 SR | 31 December 2023 SR |
|---|-------|---------------------------|---------------------------|
| | Notes | | |
| OPERATING ACTIVITIES | | | |
| Profit before zakat | | 75,066,078 | 35,624,482 |
| Non-cash adjustments: | | | |
| Provision for/(reversal of) expected credit losses on trade receivables | 8 | 289,920 | (368,955) |
| Provision for inventories obsolescence | 7 | 3,424,362 | 5,016,915 |
| Depreciation of property and equipment | 5 | 2,408,096 | 2,331,647 |
| Amortization of right-of-use-assets | 15 | 3,790,719 | 3,776,476 |
| Amortization of intangible assets | 6 | 432,776 | 459,127 |
| Loss/(gain) on disposal of property and equipment | | 74,617 | (2,286,625) |
| Gain on lease liability extinguishment | 25 | (975,706) | (349,958) |
| Employees' defined benefit liabilities | 16 | 1,562,950 | 1,093,239 |
| Finance charge on lease liabilities | 15 | 1,181,839 | 1,052,370 |
| Finance cost on borrowings | 24 | 3,556,322 | 2,073,527 |
| Inventories written off | | - | (5,982,592) |
| | | 90,811,973 | 42,439,653 |
| Working capital adjustments: | | | |
| Trade receivables | | (15,733,670) | (4,471,792) |
| Prepayments, advances, and other receivables | | (35,750,548) | (17,078,198) |
| Inventories | | (107,179,810) | (2,094,175) |
| Trade payables, accruals, and other payables | | 76,936,026 | 33,167,763 |
| Changes in related parties' balances | | (13,017,551) | - |
| | | (3,933,580) | 51,963,251 |
| Zakat paid | 19 | (1,950,844) | (2,294,674) |
| Employees' defined benefit liabilities paid | 16 | (198,762) | (209,889) |
| Finance cost paid on borrowings | | (3,556,322) | (2,073,527) |
| Finance cost paid on leases | | (1,181,839) | (1,052,370) |
| Net cash flows (used in)/from operating activities | | (10,821,347) | 46,332,791 |
| INVESTING ACTIVITIES | | | |
| Purchase of property and equipment | 5 | (33,469,473) | (21,159,545) |
| Purchase of Intangible assets | 6 | (206,159) | (856,983) |
| Proceeds from disposal of property and equipment | | 3,189,321 | 11,789,075 |
| Net cash used in investing activities | | (30,486,311) | (10,227,453) |
| FINANCING ACTIVITIES | | | |
| Proceeds from long term borrowings | 14 | - | 5,908,649 |
| Repayments of long-term borrowings | 14 | (5,263,156) | (9,456,306) |
| Proceeds from short-term borrowings | 14 | 102,805,234 | 43,903,951 |
| Repayments of short-term borrowings | 14 | (64,920,956) | (44,794,876) |
| Repayment of principal of lease liabilities | 15 | (3,042,583) | (4,147,466) |
| Dividends paid | 20 | (8,000,000) | (4,493,568) |
| Net cash flows from/(used in) financing activities | | 21,578,539 | (13,079,616) |
| Net (decrease)/increase in cash and cash equivalents | | (19,729,119) | 23,025,722 |
| Cash and cash equivalents at the beginning of the year | | 69,705,549 | 46,679,827 |
| Cash and cash equivalents at the end of the year | | 49,976,430 | 69,705,549 |

The attached notes 1 to 32 form an integral part of these financial statements.


Nice One Beauty Digital Marketing Company
(Formerly: Product Sea Trading Company)
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
For the year ended 31 December 2024


| | | 31 December 2024 | 31 December 2023 |
|---|-------|---------------------|---------------------|
| | Notes | SR | SR |
| SIGNIFICANT NON-CASH TRANSACTIONS: | | | |
| Transfer to capital | 11 | 108,937,000 | - |
| Addition to lease liabilities and right of use assets | | 9,029,844 | - |
| Contribution of IPO costs | | 2,242,566 | - |



Chief Financial Officer

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Chief Executive Officer

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Chairman of the Board of Directors

Nice One Beauty Digital Marketing Company
(Formerly: Product Sea Trading Company)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1 COMPANY INFORMATION

Nice One Beauty Digital Marketing Company (formerly: Product Sea Trading Company) (the “Company”) is a Saudi Joint Stock Company (formerly: Limited Liability Company) registered in Riyadh; Kingdom of Saudi Arabia under Commercial Registration numbered 1010705691 dated 4 Shabaan 1438H (corresponding to 30 April 2017). On 21 May 2024, Ministry of Commerce approved the conversion of Limited Liability Company to Joint Stock Company. The registered address of the Group is: P.O 5497, Riyadh 51422, Kingdom of Saudi Arabia. The Shareholders have changed its name from Product Sea Trading Company to Nice One Beauty Digital Marketing Company with effect from 30 March 2024.

The objectives of the Company and its subsidiaries (“the Group”) is the retail business of perfumes, cosmetics, soap and incense. The Group is practicing its activities through the following branches:

| <i>Branch</i> | <i>Registration No.</i> | <i>Registration Date</i> |
|---|-------------------------|---|
| Product Sea for Accessories Warehouse | 1010947279 | 27 Jumada Al-Alkhirah 1439H (corresponding to 15 March 2018G) |
| Product Sea for Operation & Maintenance Co. | 1010581040 | 23 Ramadan 1440H (corresponding to 28 May 2019G) |
| Product Sea for Trading – Alsala | 1010591825 | 21 Thul-Hijjah 1440H (corresponding to 22 August 2019G) |

The subsidiaries included in these consolidated financial statements are as follows:

| | <i>Relationship</i> | <i>Country of Incorporation</i> | <i>Effective ownership</i> | | <i>Principal Activity</i> |
|--|---------------------|---------------------------------|----------------------------|-------------------------|--|
| | | | <i>31 December 2024</i> | <i>31 December 2023</i> | |
| Bahr Al-Montajat General Trading Co.* | Subsidiary | Egypt | 100% | 100% | Retail business of perfumes, cosmetics, soap and incense |
| Nice one Perfumes and Cosmetic Trading LLC** | Subsidiary | United Arab Emirates | 100% | 100% | Retail business of perfumes, cosmetics, soap and incense |
| Creative Reflection Marketing Co.*** | Subsidiary | Kingdom of Saudi Arabia | 100% | - | Marketing Activities |

*On 6 Muharram 1444H (corresponding to 4 August 2022), the Group established a new Subsidiary “Bahr Al-Montajat General Trading Co.”, in which the Group owns 100% capital, for the purpose of opening same retail business as the Group in Egypt and registered under Commercial Registration (“CR”) number 190854. The subsidiary has not commenced yet the commercial business operations.

**On 14 Shawwal 1444H (corresponding to 4 May 2023), the Group established a new Subsidiary “Nice one Perfumes and Cosmetic Trading LLC”, in which the Group owns 100% capital, for the purpose of opening same retail business as the Group in the United Arab Emirates and registered under license number 1149849. The subsidiary has not commenced yet the commercial business operations.

***On 24 Jumada Al-Alkhirah 1446H (corresponding to 25 December 2024), the Group established a new Subsidiary “Creative Reflection Marketing Co.”, in which the Group owns 100% capital, for the purpose of marketing business in the Kingdom of Saudi Arabia registered under CR number 1009162765. The subsidiary is recently established and is in its start-up phase.

On 29 May 2024, the shareholders of the Company decided to go for an Initial Public Offering (IPO). On 29 September 2024, the Capital Market Authority’s (CMA) Board has issued its resolution approving the Company’s application for the registration and offering of 34,650,000 shares representing 30 % of Company’s share capital post listing in Saudi Stock Exchange (Tadawul).

Nice One Beauty Digital Marketing Company
(Formerly: Product Sea Trading Company)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2024

1 COMPANY INFORMATION (Continued)

On 24 November 2024, the Company announced its intention to proceed with the initial public offering and listing of its ordinary shares through the sale of 29,150,000 ordinary shares of the existing shares by the Company's existing shareholders on a pro-rata basis, and the issuance of 5,500,000 new shares.

On 16 December 2024, the Company announced commencement of retail subscription period from 24 December 2024 to 25 December 2024 and institutional investors subscription period from 24 December 2024 to 25 December 2024 at an offer price of SR 35 per share. Allotment of shares to new shareholders completed on 31 December 2024 and the Company's 5,500,000 new ordinary shares are issued subsequently on 8 January 2025 on listing and commencement of trading on the Saudi Stock Exchange. The Company also changed its legal form from closed joint stock company ("CJSC") to Saudi joint stock company ("SJSC") on the same day.

| Shareholder | Pre-Offering | | | Post-Offering | | |
|----------------------|--------------------|---------------|--------------------|--------------------|---------------|--------------------|
| | No. of shares | Ownership (%) | Nominal value | No. of shares | Ownership (%) | Nominal value |
| Pre-IPO shareholders | 110,000,000 | 100% | 110,000,000 | 80,850,000 | 70% | 80,850,000 |
| Public | - | - | - | 34,650,000 | 30% | 34,650,000 |
| | <u>110,000,000</u> | <u>100%</u> | <u>110,000,000</u> | <u>115,500,000</u> | <u>100%</u> | <u>115,500,000</u> |

2 BASIS OF PREPERATION

2.1 Statement of compliance

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

2.2 Basis of measurement

The consolidated financial statements of the Group have been prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB). The consolidated financial statements are prepared under the historical cost convention.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals ("SR"), which is also the Company's functional currency.

2.4 Basis of Consolidation

The consolidated financial statements of the Group comprise the financial information of the Company and its subsidiaries (note 1).

Subsidiaries are all entities (including structured entities) over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

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2 BASIS OF PREPERATION (Continued)

2.4 Basis of Consolidation (Continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group.

When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

- Derecognizes the assets and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

3 USE OF ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses and assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources.

3.1 Critical accounting estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material difference in the carrying amounts of assets and liabilities within the next financial period, are presented below. The Group used these assumptions and estimates on the basis available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of inventories

Inventories are held at the lower of cost and net realizable value. When inventories become old, slow moving or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision is applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices. This valuation requires us to make judgements, based on currently available information, about likely method of disposition, such as through sales to individual customers, returns to product vendors, or liquidations, and expected recoverable values of each disposition category.

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3 USE OF ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (Continued)

3.1 Critical accounting estimates and assumptions (Continued)

Provision for expected credit losses

The Group reviews its accounts receivable at each reporting date to assess whether a provision for expected credit losses should be recorded in the consolidated statement of comprehensive income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision.

Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the stand-alone credit rating).

Revenue recognition - Estimating variable consideration for returns

The Group estimates variable considerations to be included in the transaction price for the sale of goods with rights of return. If the transaction price includes a variable amount, the transaction price is estimated and recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group updates its assessment of expected returns, and the refund liabilities are adjusted accordingly. Estimates of expected returns are sensitive to changes in circumstances and the Group's past experience regarding returns may not be representative of customers' actual returns in the future.

3.2 Judgements

The following critical judgements have the most significant effect on the amounts recognized in the consolidated financial statements:

Employees' defined benefit liabilities

Defined benefit obligations to employees are determined using actuarial valuation processes. An actuarial valuation involves making various assumptions, which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation ("DBO") is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Satisfaction of performance obligation

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or a point in time in order to determine the appropriate method of recognizing revenue. Based on the contractual terms and conditions, the Group retains the risks until the goods are delivered to the customer and after the return period has expired (if any). The Group does not take responsibility of the product subsequent to delivery and after the return period has expired and has no control over what the customer intends to do with it. Thus, the performance obligation is satisfied at a point in time upon delivery with an estimate of potential returns from customers.

Judgement in accounting for IPO costs

The Company has estimated total IPO cost amounting to SR 14.8 million out of which an amount of SR 2.2 million is estimated related to a primary offering (listing new shares).

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3 USE OF ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (Continued)

3.2 Judgements (Continued)

Judgement in accounting for IPO costs (continued)

The SR 2.2 million has been split between directly attributable and indirect costs, out of which the directly attributable costs will be charged to equity upon listings. As at 31 December 2024, Company estimated SR 1.8 million as directly attributable costs and remaining SR 0.4 million as indirect expenses relating to issuance of shares. Therefore, SR 0.4 million has been recorded in the consolidated statement of comprehensive income and SR 1.8 million has been recorded as deferred IPO cost in the consolidated statement of financial position, which will be charged to equity upon issuance of shares. The remaining SR 12.6 million relates to secondary offering (sale of existing share by shareholders) and will be borne by shareholders.

4 MATERIAL ACCOUNTING POLICY INFORMATION

Foreign currencies

Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the “functional currency”). The Group’s financial statements are presented in Saudi Riyals (“SR”), which is the Company’s functional and presentation currency, and all values are stated in full, except when otherwise indicated.

Transactions and balances

Foreign currency transactions are translated into SR at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of profit or loss and other comprehensive income. Translation of non-monetary items depends on whether they are recognized at historical cost or at fair value. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Transactions and balances (continued)

Non-monetary assets that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognized in consolidated statement of comprehensive income).

Current and non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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4 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Fair value measurement

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

Revenue from contracts with customers

The Group is in the online e commerce business of trading perfumes, cosmetics, soap and incense and other ancillary services to support online commerce business.

a Revenue from contracts with customers for sale of goods and services

- Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2. Identify 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 of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group 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. Recognise revenue when (or as) the entity satisfies a performance obligation.

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4 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Revenue from contracts with customers (Continued)

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
2. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset/receivable based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty.

The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

The Group has concluded that it is acting as a principal in its revenue arrangement from supply of goods purchased upfront directly from suppliers.

a Revenue from sale of goods

Revenue is measured based on the amount of consideration that we expect to receive, reduced by estimates for return allowances and promotional discounts. Revenue also excludes any amounts collected on behalf of third parties, including value-added tax.

Revenue from sale of goods is recognised at the point in time upon delivery of goods to customers subject to the adjustment for right of return, where applicable.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration.

Transactions are settled by debit cards, credit cards and cash on delivery basis.

Variable consideration

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right to return the goods within a specified period. The rights of return give rise to variable consideration.

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4 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Revenue from contracts with customers (Continued)

b Revenue from sale of services

The Group earns delivery revenue on orders below a threshold of SAR 300. The thresholds are dynamic in nature and vary from geography to geography. This revenue is recognised on delivery of goods to the customer.

c Assets and liabilities arising from rights of return

(i) Right of return assets

The general terms of the Group's sales provide the customers with a right to return the goods within a specified period of 14 days. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a return liability. A right of return asset for the inventory (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(ii) Refund liabilities

A refund liability is recognised for the obligation to refund all the consideration received (or receivable) from a customer. The Group's refund liabilities arise from customers' right of return. The liability is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Cost of revenue

Cost of revenue primarily consists of the purchase price of goods net of any discounts, inbound shipping costs, distribution, logistics and related cost. Cost of revenue also include provisions for slow moving and obsolete inventory items and differences between net realisable value ("NRV") and cost, in case NRV is lower. Distribution, logistics and related cost primarily consists of the manpower charges, and any other related costs.

General and administrative expenses

General and administrative expenses primarily consist of payroll and related expenses; facilities and equipment, such as depreciation expense and rent (short-term and low value); professional fees and litigation costs; and other general corporate costs for corporate functions, including accounting, finance, tax, legal, and human resources, warranty, among others. General and administration expenses include expenses not specifically part of direct cost. Allocations between general and administration expenses and direct cost, when required, are made on a consistent basis.

Finance costs

Finance costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

Finance costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds. The interest component of a lease is included in finance cost and recognized using the effective interest method over the lease term.

Other income

Other income is recognized when earned.

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4 MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost includes all amounts necessary to bring the asset to the present condition and location to be ready for its intended use by management. Such costs include the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects (qualifying assets), if the recognition criteria are met, and costs incurred during the commissioning period, net of proceeds from sale of trial production. Capital work in progress is stated at cost, net of accumulated impairment losses, if any.

When parts of property and equipment are significant in cost in comparison to the total cost of the item, and where such parts/ components have a useful life different from the other parts and required to be replaced at different intervals, the Group shall recognise such parts as individual components of the asset with specific useful lives and depreciate them accordingly. All other repair and maintenance costs are recognised in statement of comprehensive income as incurred.

Depreciation is calculated from the date the item of property and equipment is available for their intended use or in respect of self-constructed assets from the date such assets are completed and ready for the intended use. Land and assets under construction, which are not ready for their intended use, are not depreciated.

Depreciation of assets is calculated on a straight-line basis over the estimated useful life of the assets as follows:

| <i>Category of property and equipment</i> | <i>Years</i> |
|---|------------------------------|
| | Lower of the lease period or |
| Leasehold improvements and installations | 4 - 10 |
| Vehicles | 4 - 5 |
| Furniture and fixture | 5 |
| Computers | 4 |
| Office equipment | 4 |
| Metal shelves | 4 |
| Machinery and equipment | 4 |
| Building | 20 |

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at each reporting date.

An item of property and equipment and any significant component initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of retired, sold or otherwise derecognised property and equipment are determined by comparing the proceeds with the carrying amount of the asset, and are recognised within "other income" in consolidated statement of comprehensive income. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Capital work in progress is stated at cost until the construction or installation is complete. Upon the completion of construction or installation, the cost of such assets together with cost directly attributable to construction or installation, including capitalized borrowing cost, are transferred to the respective class of asset. No depreciation is charged on capital work in progress.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in statement of profit or loss and other comprehensive income in the period in which the expenditure is incurred.

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4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Intangible assets (Continued)

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization is calculated from the date the when the intangible assets are available for its intended use. It is calculated on a straight-line basis over the useful life of the asset. Useful life of software is 5 years.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the assets recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. In assessing the value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets other than above, an assessment is made at each financial year-end as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. This reversal is limited such that the recoverable amount doesn't exceed what the carrying amount would have been, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income

Financial instruments

Recognition and initial measurement

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial instrument is recognized in the statement of financial position when the Group becomes party to the contractual provisions of the financial instrument.

A financial instrument is measured initially at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

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4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets

Classification of financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income ('FVOCI') or FVTPL.

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

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-to-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

Subsequent measurement

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses are recognized statement of profit or loss and other comprehensive income.

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest rate ("EIR") method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in statement of profit or loss and other comprehensive income. Any gain or loss on derecognition is recognized in the statement of profit or loss and other comprehensive income.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the EIR method, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss and other comprehensive income. Other net gains and losses are recognized in the statement of profit or loss and other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss and other comprehensive income unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in the other comprehensive income and are never reclassified to profit or loss.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

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4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's statement of financial position) when: the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement.

In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs.

Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns based on the customer types and ratings.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Financial liabilities

Initial recognition and measurement

The Group classifies its financial liabilities as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Subsequent measurement

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the EIR method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

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4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

Financial liabilities (continued)

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Offsetting

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

Inventories

Inventories are measured at lower of cost and net realisable value. Cost includes expenditures incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition. Costs are assigned to individual items of inventory on the basis of weighted average method.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Goods-in-transit includes the inventory purchased and yet not received in Group's possession and are recorded at cost when the rights and obligations relating to the goods are transferred to the Group.

Cash and cash equivalent

For the purposes of the consolidated statement of cash flows, cash and bank balances comprise cash on hand and deposits held with banks, all of which are available for use by the Group unless otherwise stated and have maturities of three months or less, which are subject to insignificant risk of changes in values.

Trade receivables

Trade receivables are recorded at amortized cost using the effective interest rate method, measured initially at the transaction price, and are non-interest-bearing. At the end of each financial period, the Group determines an allowance for expected credit losses (ECL) by measuring the difference between the contractual cash flows due and the cash flows it anticipates receiving, discounted at an approximation of the original effective interest rate, and any impairment loss is recognised in the profit or loss directly in the statement of comprehensive income.

Trade payable

Trade payables represent liabilities for goods and services provided to the Group prior to the end of the period which are not settled yet.

Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Provisions (continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-Zakat rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, air fare and allowances that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented under accounts payable, accruals and others in the statement of financial position.

Employee benefits obligation

The Group's primary defined benefit plan is an end of service lump sum benefits plan. The benefit liability recognized in the consolidated statement of financial position is the present value of the Defined Benefit Obligation ("DBO") at the reporting date. The plan is unfunded, which means the Group pays benefits as they fall due when employees leave service.

The DBO is re-measured on a periodic basis by independent actuaries using the projected unit credit method.

The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The rate used to discount post-employment benefit obligations is determined by reference to market yields at the statement of financial position date on high quality corporate bonds. In the absence of deep market of such bonds, the market yields on Government Bonds is used.

The DBO also depends on the assumptions for future salary increases and the rate at which employees are expected to leave. The Group has assumed salaries will increase at a rate of 5%pa above the discount rate, in order to provide stability to the OCI account. Employee withdrawal rates are very high but can change quickly from year to year. The Group has therefore assumed updates this assumption from year to year as new experience develops.

The net interest cost is calculated by applying the discount rate to the net balance of the DBO. This cost is included in employees' salaries and other benefits expense in the statement of profit or loss and other comprehensive income. Re-measurement gains and losses arising from changes in actuarial assumptions are recognized in the period in which they occur in OCI. Changes in the present value of the DBO resulting from plan amendments or curtailments are recognized immediately in the statement of profit or loss and other comprehensive income as past service costs.

Current and past service costs related to end-of-service benefits and unwinding of the liability at discount rates used are recognized immediately in the statement of profit or loss and other comprehensive income. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in OCI.

The actuarial valuation process takes into consideration the provisions of the Saudi Arabian Labour and Workmen Law as well as the Group's policy.

Zakat

The Group is subject to the Zakat regulations issued by the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia, including the interpretations issued by the authority. The management establishes provisions where appropriate based on amounts expected to be paid to the authority, and periodically evaluates positions taken in the Zakat returns with respect to situations in which applicable Zakat regulations are subject to interpretation. The zakat provision is charged to the statement of comprehensive income. Additional zakat liability, if any, related to prior years' assessments arising from the authority are accounted for in the period in which the final assessments are finalized.

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4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Withholding tax

Withholding tax liability are created either while expense booking or at the time payment of services in accordance with tax law applicable to the countries applicable tax laws. Withholding tax liability are then discharged to government.

Value-added tax ("VAT")

Revenues, expenses and assets are recognized net of the amount of VAT, except for:

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- in case of receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from or payable to the tax authority is classified as an asset or a liability, respectively, in the consolidated statement of financial position.

Dividends

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders.

Leases

The Group assess whether a contract contains a lease, at inception of the contract. For all such lease arrangements the Group recognize right of use assets and lease liabilities except for the short term leases and leases of low value assets as follows:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Lease terms include options to extend or terminate the lease when it is reasonably certain that the Group will exercise that option. The Group generally consider the economic life of the right-of-use assets to be comparable to the useful life of similar owned assets. The Group's leases generally do not provide a residual guarantee.

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4 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Statutory reserve

The Ministry of Commerce of the Kingdom of Saudi Arabia has issued new Regulations for Companies, effective by 19 January 2023 with a grace period of two years for implementation. During the year, the shareholders approved the amendment to the Company's Bylaws in accordance with the new Companies Law which does not require to set aside a statutory reserve.

Previously, in accordance with the Company's Bylaws, the Company was required to transfer 10% of the net income to the statutory reserve until this reserve reached 30% of the capital.

4.1 New and Amended Standards and Interpretations

Following are the standards and amendments effective on 1 January 2024 or after (unless otherwise stated) and do not have a material impact on the Company's financial statements. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS (1): Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the Board issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer settlement must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification
- Disclosures

The standard had no impact on the Group's consolidated financial statements.

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

The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The standard had no impact on the Group's consolidated financial statements.

Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The standard had no impact on the Group's consolidated financial statements.

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4.1 New and Amended Standards and Interpretations

New and amended standards and interpretations not yet effective

The new amended, issued standards and interpretations, which are not effective yet have not been adopted early by the Group and will be adopted on their effective date as applicable. The adoption of these standards and interpretations is not expected to have any material impact on the Group on the effective date.

| <i>Standard, Amendment or Interpretation</i> | <i>Effective date</i> |
|---|---|
| - Amendments to IAS (21): Lack of exchangeability | 1 January 2025 |
| - Amendments to IFRS (9) and IFRS (7): Classification and Measurement of Financial Instruments | 1 January 2026 |
| - Volume (11): Annual Improvements to IFRS Accounting Standards | 1 January 2026 |
| - Amendments to IFRS (9) and IFRS (7): Power Purchase Agreements. | 1 January 2026 |
| - IFRS 19 - reducing subsidiaries' disclosures | 1 January 2027 |
| - Amendments to IFRS (10) and IAS (28): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | The effective date of this amendment is postponed indefinitely. |

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

IFRS 18, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. The adoption is expected to have material impact on the presentation on the effective date.

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5 PROPERTY AND EQUIPMENT

| | <i>Land SR</i> | <i>Building SR</i> | <i>Furniture and fixture SR</i> | <i>Computers SR</i> | <i>Motor vehicles SR</i> | <i>Equipment and tools SR</i> | <i>Leasehold improvements and installation SR</i> | <i>Capital work in progress* SR</i> | <i>Total 2024 SR</i> |
|--------------------------------------|--------------------|------------------------|---|-------------------------|----------------------------------|---------------------------------------|---|---|------------------------------|
| Cost: | | | | | | | | | |
| As at 1 January 2024 | 38,617,928 | - | 1,417,695 | 2,115,625 | 1,749,149 | 2,587,758 | 5,410,232 | 18,161,422 | 70,059,809 |
| Additions | - | - | 137,000 | 519,712 | 232,900 | 685,815 | 150,634 | 31,743,412 | 33,469,473 |
| Transfer out/in | - | 16,091,549 | - | 390,676 | - | - | 11,572,850 | (28,055,075) | - |
| Disposals | (3,167,483) | - | - | - | (281,287) | - | - | - | (3,448,770) |
| As at 31 December 2024 | 35,450,445 | 16,091,549 | 1,554,695 | 3,026,013 | 1,700,762 | 3,273,573 | 17,133,716 | 21,849,759 | 100,080,512 |
| Accumulated depreciation: | | | | | | | | | |
| As at 1 January | - | - | 802,797 | 1,243,371 | 923,363 | 2,456,201 | 1,661,956 | - | 7,087,688 |
| Charge for the year | - | 11,175 | 187,351 | 360,616 | 242,952 | 152,754 | 1,453,248 | - | 2,408,096 |
| Disposals | - | - | - | - | (184,833) | - | - | - | (184,833) |
| As at 31 December | - | 11,175 | 990,148 | 1,603,987 | 981,482 | 2,608,955 | 3,115,204 | - | 9,310,951 |
| Net book values: | | | | | | | | | |
| At 31 December 2024 | 35,450,445 | 16,080,374 | 564,547 | 1,422,026 | 719,280 | 664,618 | 14,018,512 | 21,849,759 | 90,769,561 |

*Capital work in progress represents capital expenditure incurred for the purchase and installations of robotics technology for warehouse operations, expected to be completed by February 2025.

The amount of borrowing costs capitalised during the year ended 31 December 2024 was SR 1,354,953 (2023: 1,569,623). The rate used to determine the amount of borrowing costs eligible for capitalisation was 8.06%.

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For the year ended 31 December 2024

5 PROPERTY AND EQUIPMENT

| | <i>Land SR</i> | <i>Leasehold improvements SR</i> | <i>Furniture and fixture SR</i> | <i>Computers SR</i> | <i>Motor vehicles SR</i> | <i>Equipment and tools SR</i> | <i>Capital work in progress*</i> SR | <i>Total 2023 SR</i> |
|----------------------------------|--------------------|--|---|-------------------------|----------------------------------|---------------------------------------|--|------------------------------|
| <i>Cost:</i> | | | | | | | | |
| As at 1 January 2023 | 48,120,378 | 3,039,391 | 1,231,952 | 1,674,086 | 1,749,149 | 2,587,758 | - | 58,402,714 |
| Additions | - | 2,370,841 | 185,743 | 441,539 | - | - | 18,161,422 | 21,159,545 |
| Disposals | (9,502,450) | - | - | - | - | - | - | (9,502,450) |
| | <u>38,617,928</u> | <u>5,410,232</u> | <u>1,417,695</u> | <u>2,115,625</u> | <u>1,749,149</u> | <u>2,587,758</u> | <u>18,161,422</u> | <u>70,059,809</u> |
| <i>Accumulated depreciation:</i> | | | | | | | | |
| As at 1 January | - | 615,563 | 568,287 | 1,018,012 | 644,725 | 1,909,454 | - | 4,756,041 |
| Charge for the year | - | 1,046,393 | 234,510 | 225,359 | 278,638 | 546,747 | - | 2,331,647 |
| | <u>-</u> | <u>1,661,956</u> | <u>802,797</u> | <u>1,243,371</u> | <u>923,363</u> | <u>2,456,201</u> | <u>-</u> | <u>7,087,688</u> |
| <i>Net book values:</i> | | | | | | | | |
| At 31 December 2023 | <u>38,617,928</u> | <u>3,748,276</u> | <u>614,898</u> | <u>872,254</u> | <u>825,786</u> | <u>131,557</u> | <u>18,161,422</u> | <u>62,972,121</u> |
| At 31 December 2022 | <u>48,120,378</u> | <u>2,423,828</u> | <u>663,665</u> | <u>656,074</u> | <u>1,104,424</u> | <u>678,304</u> | <u>-</u> | <u>53,646,673</u> |

*Capital work in progress represents capital expenditure incurred on the construction of warehouse on the Company's owned land. This is completed and transferred to property during December 2024.

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5 PROPERTY AND EQUIPMENT (continued)

The depreciation for property and equipment is as follows:

| | <i>Note</i> | 31 December 2024 SR | 31 December 2023 SR |
|-------------------------------------|-------------|------------------------------------|------------------------------------|
| Cost of revenue | | 1,444,857 | 1,398,988 |
| General and administrative expenses | 23 | 963,239 | 932,659 |
| | | <u>2,408,096</u> | <u>2,331,647</u> |

6 INTANGIBLE ASSETS

Intangible assets represent the software used by the Group for its financial and operational management.

| | 31 December 2024 SR | 31 December 2023 SR |
|--|------------------------------------|------------------------------------|
| <i>Cost</i> | | |
| At the beginning of the year | 2,557,697 | 1,700,714 |
| Additions | 206,159 | 856,983 |
| At the end of the year | <u>2,763,856</u> | <u>2,557,697</u> |
| <i>Accumulated amortisation</i> | | |
| At the beginning of the year | 1,135,199 | 676,072 |
| Charge for the year (note 23) | 432,776 | 459,127 |
| At the end of the year | <u>1,567,975</u> | <u>1,135,199</u> |
| <i>Carrying amounts at the end of the year</i> | <u>1,195,881</u> | <u>1,422,498</u> |

7 INVENTORIES

| | 31 December 2024 SR | 31 December 2023 SR |
|--|------------------------------------|------------------------------------|
| Goods for sale | 250,686,690 | 149,034,738 |
| Packing material | 11,885,275 | 6,357,417 |
| Less: Provision for slow moving and obsolete items | (8,031,965) | (4,607,603) |
| | <u>254,540,000</u> | <u>150,784,552</u> |

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7 INVENTORIES (continued)

Movement in the provision for slow moving and obsolete items is as follows:

| | <i>31 December 2024 SR</i> | <i>31 December 2023 SR</i> |
|---------------------|---|---|
| Opening balance | 4,607,603 | 3,278,571 |
| Charge for the year | 3,424,362 | 5,016,915 |
| Write off | - | (3,687,883) |
| Closing balance | <u>8,031,965</u> | <u>4,607,603</u> |

8 TRADE RECEIVABLES

| | <i>31 December 2024 SR</i> | <i>31 December 2023 SR</i> |
|--|---|---|
| Trade receivables | 37,153,218 | 21,419,548 |
| Less: Allowance for expected credit losses | (2,837,742) | (2,547,822) |
| | <u>34,315,476</u> | <u>18,871,726</u> |

Trade receivables are non-interest bearing and are generally on terms of 30 days.

Set out below is the movement in the allowance for expected credit losses of trade receivables:

| | <i>31 December 2024 SR</i> | <i>31 December 2023 SR</i> |
|--|---|---|
| Balance as at the beginning of the year | 2,547,822 | 2,916,777 |
| Charge for/ (reversal of) expected credit losses (note 22) | 289,920 | (368,955) |
| Balance as at the end of the year | <u>2,837,742</u> | <u>2,547,822</u> |

All trade receivables are interest free. Unimpaired trade receivables are expected, based on past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majority are, therefore, unsecured.

The credit risk analysis of trade receivables is disclosed in Note 28.

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9 PREPAYMENTS, ADVANCES AND OTHER RECEIVABLES

| | <i>31 December 2024 SR</i> | <i>31 December 2023 SR</i> |
|-----------------------|------------------------------------|------------------------------------|
| Advances to suppliers | 62,899,047 | 23,378,343 |
| Deferred IPO costs* | 1,794,053 | - |
| Employee receivables | 2,351,557 | 3,087,531 |
| Prepaid expenses | 2,274,258 | 5,540,625 |
| Refundable deposits | 414,591 | 466,616 |
| Other receivables** | 2,158,075 | 1,425,352 |
| | <u>71,891,581</u> | <u>33,898,467</u> |

* This relates to primary offering (listing of new shares) and will be charged to equity upon issuance of shares.

** Include an amount of SR 2,035,976 (2023: SR 1,425,352) represents right of return to the assets against which a refund liability has been booked at year end.

10 CASH AND CASH EQUIVALENTS

| | <i>31 December 2024 SR</i> | <i>31 December 2023 SR</i> |
|---------------|------------------------------------|------------------------------------|
| Bank balances | 48,628,460 | 69,378,296 |
| Cash on hand | 1,347,970 | 327,253 |
| | <u>49,976,430</u> | <u>69,705,549</u> |

11 SHARE CAPITAL

The Company's share capital is divided into 110,000,000 shares of SR 1 each (31 December 2023: 1,063 shares of SR 1,000 each).

During the meeting held on 26 Shawwal 1445H (corresponding to 5 May 2024), the shareholders decided to increase the number of shares of the Company from 1,063 shares with nominal value of SR 1,000 to 110,000,000 shares with a nominal value of SR 1 (the old shares were also subdivided). The decision is based on transferring an amount of SR 81,801,000 from retained earnings and an amount of SR 27,136,000 from additional contribution to capital. The legal formalities have been completed during the year ended 31 December 2024.

On 28 Thul-Hijjah 1445H (corresponding to 4 July 2024), the shareholders resolved to increase the share capital from 110,000,000 ordinary shares to 115,500,000 ordinary shares of SR 1 each by issuing new 5,500,000 ordinary shares. The additional 5,500,000 ordinary shares are issued subsequently on 8 January 2025 on commencement of trading on the Saudi Stock Exchange as part of initial public offering.

12 STATUTORY RESERVE

The Company's Bylaws are updated in accordance with the new Companies Law which does not require to set aside a statutory reserve. Previously, in accordance with the Company's Bylaws, the Company was required to transfer 10% of the net income to the statutory reserve until this reserve reached 30% of the capital.

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13 ADDITIONAL CONTRIBUTION TO CAPITAL

| | 31 December 2024 SR | 31 December 2023 SR |
|--|------------------------------------|------------------------------------|
| Omar Ali Alolayan | - | 11,002,461 |
| Abdulrahman Ali Alolayan | - | 9,930,295 |
| Wagehat Al Hamraa for Investment Company | - | 6,203,244 |
| | <u>-</u> | <u>27,136,000</u> |

The above-mentioned additional contributions to capital were transferred to share capital during the year ended 31 December 2024.

14 BANK BORROWINGS

a Short-term borrowings

| | 31 December 2024 SR | 31 December 2023 SR |
|---------------|------------------------------------|------------------------------------|
| Al Rajhi Bank | 28,146,575 | 14,354,467 |
| SAB Bank | 32,996,121 | 8,903,951 |
| | <u>61,142,696</u> | <u>23,258,418</u> |

The Group obtained short-term credit facilities from the two local banks to meet the requirements of working capital, which are guaranteed by personal guarantees provided by shareholders, as stipulated in the loan agreements. Following the IPO, the Group is in the process to revert back the personal guarantees by issuing corporate guarantees.

Movement in the short-term borrowings is as follows:

| | 31 December 2024 SR | 31 December 2023 SR |
|-----------------------------------|------------------------------------|------------------------------------|
| Balance at beginning of the year | 23,258,418 | 24,149,343 |
| Drawn down during the year | 102,805,234 | 43,903,951 |
| Repayment during the year | (64,920,956) | (44,794,876) |
| Balance at end of the year | <u>61,142,696</u> | <u>23,258,418</u> |

b Long-term borrowings

| | 31 December 2024 SR | 31 December 2023 SR |
|---|------------------------------------|------------------------------------|
| Al Rajhi Bank (Medium term loan) * | 13,157,899 | 18,421,055 |
| | <u>13,157,899</u> | <u>18,421,055</u> |
| Less: current portion of long-term borrowings | (5,263,156) | (5,263,156) |
| | <u>7,894,743</u> | <u>13,157,899</u> |

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14 BANK BORROWINGS (continued)

b Long-term borrowings (continued)

* The Group has obtained medium term loan (MTL) amount to SR 27.1 million in the prior years for the purpose of construction of warehouse. The loan is due for repayment in 20 equal quarterly instalments of SR 1.315 million per instalment, and the last instalment is due in May 2027. These borrowings are secured against personal guarantees provided by shareholders, as stipulated in the loan's agreement. The borrowings are subject to covenants, which have been met at the year end.

Movement in the long-term borrowings is as follows:

| | <i>31 December 2024 SR</i> | <i>31 December 2023 SR</i> |
|---|------------------------------------|------------------------------------|
| Balance at beginning of the year | 18,421,055 | 21,968,712 |
| Drawn down during the year | - | 5,908,649 |
| Repayment during the year | (5,263,156) | (9,456,306) |
| Accrued interest during the year | 1,747,505 | 788,796 |
| | <u>14,905,404</u> | <u>19,209,851</u> |
| Less: accrued interest within current liabilities | <u>(1,747,505)</u> | <u>(788,796)</u> |
| Balance at end of the year | <u>13,157,899</u> | <u>18,421,055</u> |

Below is the repayment schedule of the outstanding long-term borrowings:

| | <i>31 December 2024 SR</i> | <i>31 December 2023 SR</i> |
|---------------------------|------------------------------------|------------------------------------|
| Within one year | 5,263,156 | 5,263,156 |
| Between two to five years | 7,894,743 | 13,157,899 |
| Total | <u>13,157,899</u> | <u>18,421,055</u> |

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15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group has lease contracts for vehicles and warehouses which are used in its operations. Leases of vehicles have lease terms of 3 to 5 years, and warehouses have lease terms of 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets.

Set out below are the carrying amounts of Group's right- of- use assets and the movements during the year:

| | <i>Cars SR</i> | <i>Warehouse SR</i> | <i>Total SR</i> |
|---|---------------------------|--------------------------------|----------------------------|
| <i>Cost</i> | | | |
| As at 1 January 2024 | 5,565,924 | 14,022,643 | 19,588,567 |
| Additions | 1,984,565 | 7,045,279 | 9,029,844 |
| Disposals | - | (6,567,574) | (6,567,574) |
| As at 31 December 2024 | 7,550,489 | 14,500,348 | 22,050,837 |
| <i>Accumulated amortization</i> | | | |
| As at 1 January 2024 | 2,628,830 | 5,377,047 | 8,005,877 |
| Charge for the year | 1,115,934 | 2,674,785 | 3,790,719 |
| Disposals | - | (2,405,529) | (2,405,529) |
| As at 31 December 2024 | 3,744,764 | 5,646,303 | 9,391,067 |
| Net carrying value | 3,805,725 | 8,854,045 | 12,659,770 |
| The allocation of amortization expense is as follows: | | | |
| Cost of revenue | 669,560 | 1,604,871 | 2,274,431 |
| General and administrative expenses (note 23) | 446,374 | 1,069,914 | 1,516,288 |
| | 1,115,934 | 2,674,785 | 3,790,719 |

Set out below are the carrying amounts of Group's right- of- use assets and the movements during the prior year:

| | <i>Cars SR</i> | <i>Warehouse SR</i> | <i>Total SR</i> |
|---|---------------------------|--------------------------------|----------------------------|
| <i>Cost</i> | | | |
| As at 1 January 2023 | 5,565,924 | 8,919,194 | 14,485,118 |
| Remeasurement | - | 1,465,875 | 1,465,875 |
| Additions | - | 6,962,499 | 6,962,499 |
| Disposals | - | (3,324,925) | (3,324,925) |
| As at 31 December 2023 | 5,565,924 | 14,022,643 | 19,588,567 |
| <i>Accumulated amortization</i> | | | |
| As at 1 January 2023 | 1,248,574 | 3,627,867 | 4,876,441 |
| Charge for the year | 1,380,256 | 2,396,220 | 3,776,476 |
| Disposals | - | (647,040) | (647,040) |
| As at 31 December 2023 | 2,628,830 | 5,377,047 | 8,005,877 |
| Net carrying value | 2,937,094 | 8,645,596 | 11,582,690 |
| The allocation of amortization expense is as follows: | | | |
| Cost of revenue | 828,154 | 1,437,732 | 2,265,886 |
| General and administrative expenses (note 23) | 552,102 | 958,488 | 1,510,590 |
| | 1,380,256 | 2,396,220 | 3,776,476 |

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15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

Lease liabilities have been included in the consolidated statement of financial position as follows:

| | <i>SR</i> |
|--|-------------------|
| As at 1 January 2024 | 11,290,937 |
| Additions | 9,029,844 |
| Accretion of interest (note 24) | 1,181,839 |
| Derecognition of lease liability | (5,137,749) |
| Payments | (4,224,422) |
| | <u>12,140,449</u> |
| As at 31 December 2024 | |
| Non-current portion of lease liabilities | 8,446,505 |
| Current portion of lease liabilities | 3,693,944 |
| | <u>12,140,449</u> |
| | <i>SR</i> |
| As at 1 January 2023 | 9,672,991 |
| Remeasurement | 1,465,875 |
| Additions | 6,962,499 |
| Accretion of interest (note 24) | 1,052,369 |
| Derecognition of lease liability | (2,662,961) |
| Payments | (5,199,836) |
| | <u>11,290,937</u> |
| As at 31 December 2023 | |
| Non-current portion of lease liabilities | 8,008,752 |
| Current portion of lease liabilities | 3,282,185 |
| | <u>11,290,937</u> |

The maturity analysis of lease liabilities is disclosed in Note 28.

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16 EMPLOYEES' DEFINED BENEFIT LIABILITIES

| | <i>31 December 2024 SR</i> | <i>31 December 2023 SR</i> |
|--|------------------------------------|------------------------------------|
| Employees' defined benefit liabilities | 6,893,215 | 4,729,208 |

The Group grants employees' defined benefit liabilities (benefit plan) to its employees taking into consideration the local labor law requirements in the Kingdom of Saudi Arabia. The benefit provided by this benefit plan is a lump sum based on the employees' final salaries and allowance and their cumulative years of service at the date of the termination of employment. The retirement age is 60 years.

The benefit liability recognized in the consolidated statement of financial position in respect of defined benefit end-of-service plan is the present value of the defined benefit obligation ("DBO") at the reporting date.

The DBO is calculated periodically by qualified actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using yields on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The movement in defined benefit obligation during the year was as follows:

| | <i>31 December 2024 SR</i> | <i>31 December 2023 SR</i> |
|--|------------------------------------|------------------------------------|
| Net liability at the beginning of the year | 4,729,208 | 3,410,927 |
| Current service cost | 1,334,237 | 942,156 |
| Interest cost | 228,713 | 151,083 |
| Benefits paid | (198,762) | (209,889) |
| Actuarial loss | 799,819 | 434,931 |
| Net liability at the end of the year | 6,893,215 | 4,729,208 |

Expense recognized in the statement of comprehensive income are as follows:

| | <i>31 December 2024 SR</i> | <i>31 December 2023 SR</i> |
|--|------------------------------------|------------------------------------|
| Current service cost | 1,334,237 | 942,156 |
| Interest cost | 228,713 | 151,083 |
| | 1,562,950 | 1,093,239 |
| <i>Remeasurement losses recognized in other comprehensive income</i> | | |
| Experience adjustments | 1,213,628 | 434,931 |
| Changes in financial assumptions | (413,809) | - |
| | 799,819 | 434,931 |
| | 2,362,769 | 1,528,170 |

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16 EMPLOYEES' DEFINED BENEFIT LIABILITIES (Continued)

Significant actuarial assumptions

The following were the principal actuarial assumptions:

| | 31 December 2024 | 31 December 2023 |
|---|-----------------------------|-----------------------------|
| Discount rate used for year end obligation | 5.69% | 4.94% |
| Expected rate of increase in salary level (per annum) | 4.69% | 4.44% |

Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amount shown below:

| | Increase (Decrease) In basis points | 31 December 2024 | 31 December 2023 |
|--------------------|--|-----------------------------|-----------------------------|
| Discount rate | + 0.5% | 6,521,234 | 4,491,772 |
| | - 0.5% | 7,304,952 | 4,991,764 |
| Salary growth rate | + 0.5% | 7,307,024 | 4,991,764 |
| | - 0.5% | 6,516,138 | 4,489,602 |

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the employee terminal benefit as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the employee terminal benefit as it is unlikely that changes in assumptions would occur in isolation from one another. The average duration of the employee's defined benefit obligation at the end of the reporting period is 11.87 years (31 December 2023: 10.87 years).

The following are the expected undiscounted payments in future years:

| | 31 December 2024 SR | 31 December 2023 SR |
|---------------------------|------------------------------------|------------------------------------|
| Within the next 12 months | 866,458 | 656,575 |
| Between 2 and 5 years | 4,259,385 | 3,213,333 |
| Beyond 5 years | 10,594,449 | 5,257,621 |
| | 15,720,292 | 9,127,529 |

Defined contribution plan

The Group also participates in pension schemes for its employees which are managed by government institutions. The amount recognized as an expense for defined contribution plans for the year ended 31 December 2024 is SR 1.8 million (2023: SR 1.37 million).

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17 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

| | <i>31 December 2024 SR</i> | <i>31 December 2023 SR</i> |
|---------------------------|------------------------------------|------------------------------------|
| Trade payables | 210,663,167 | 145,907,517 |
| Accrued expenses | 18,537,233 | 8,415,686 |
| Shipping expenses payable | 6,101,350 | 6,185,585 |
| VAT payable | 4,231,071 | 3,760,372 |
| Refund liability | 2,609,405 | 2,202,358 |
| Other payables | 2,993,863 | 1,728,546 |
| | <u>245,136,089</u> | <u>168,200,064</u> |

18 RELATED PARTY TRANSACTIONS AND BALANCES

In the ordinary course of its activities, the Group transacts business with related parties. Related parties include shareholders, members of Board of Directors (“BOD”), key management executives and entities controlled or significantly influenced by such parties, which are under common ownership. The transactions are carried out on mutually agreed terms approved by the management of the Group.

Key management personnel compensation

The remuneration of directors and other key management personnel for the year were as follow:

| | <i>2024 SR</i> | <i>2023 SR</i> |
|---|--------------------|--------------------|
| Short-term employee benefits | 9,793,620 | 7,524,000 |
| Post-employment benefits | 769,740 | 2,520,414 |
| Others | 265,554 | 68,871 |
| Board and other management committees’ remuneration (note 23) | 1,812,630 | - |
| | <u>12,641,544</u> | <u>10,113,285</u> |

Related party transactions: -

Following are the related party transactions occurred with related parties during the year, except for key management personnel compensation which is disclosed in above table.

| <i>Related parties</i> | <i>Nature of transactions</i> | <i>2024 SR</i> | <i>2023 SR</i> |
|---|-------------------------------|--------------------|--------------------|
| Mr. Abdul Rahman Ali Abdul Rahman Alolayan (Member of BOD) | Transfer of a land | - | 3,495,759 |

Related parties’ balances

The breakdown of amounts due from related parties is as follows:

| | <i>2024 SR</i> | <i>2023 SR</i> |
|---|--------------------|--------------------|
| Initial Public Offering (“IPO”) costs (*) | <u>14,830,181</u> | <u>-</u> |

(*) This amount represents the IPO costs relating to secondary offering (sale of existing shares by shareholders) which is agreed to be reimbursed by the shareholders. This has subsequently been paid in full.

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18 RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

The breakdown of amounts due to related parties is as follows:

| | <i>2024</i> <i>SR</i> | <i>2023</i> <i>SR</i> |
|---|--------------------------|--------------------------|
| Board and other management committees' remuneration payable | <u>1,812,630</u> | <u>-</u> |

19 ZAKAT

Zakat provision represents the following:

| | <i>31 December</i> <i>2024</i> <i>SR</i> | <i>31 December</i> <i>2023</i> <i>SR</i> |
|--------------------------|--|--|
| At the beginning of year | 2,667,398 | 1,962,072 |
| Provided during the year | 3,320,892 | 3,000,000 |
| Paid during the year | <u>(1,950,844)</u> | <u>(2,294,674)</u> |
| At the end of year | <u>4,037,446</u> | <u>2,667,398</u> |

The provision is based on the following:

| | <i>31 December</i> <i>2024</i> <i>SR</i> | <i>31 December</i> <i>2023</i> <i>SR</i> |
|----------------------------------|--|--|
| Equity | 185,858,456 | 88,480,972 |
| Provisions and other adjustments | 28,497,619 | 35,829,807 |
| Book value of long-term assets | <u>(104,625,212)</u> | <u>(75,977,309)</u> |
| Total | 109,730,863 | 48,333,470 |
| Adjusted profits | <u>7,902,616</u> | <u>44,896,410</u> |
| Zakat base | <u>117,633,479</u> | <u>93,229,880</u> |

The differences between the financial and the zakatable results are mainly due to provisions which are not allowed in the calculation of zakatable results.

Status of assessments

The Group has submitted its zakat returns on consolidated basis for the years up to 31 December 2023. Zakat certificates for all years have been issued and there is no re-assessment from ZATCA as on 31st December 2024 for previous periods.

20 DIVIDENDS PAYABLE

On 18 Jumada Al-Alkhirah 1445H (corresponding to 31 December 2023), the shareholders resolved to distribute cash dividends of SR 7,526 per share amounting to SR 8 million. This has been paid in full during the year ended 31 December 2024.

21. REVENUE

| | <i>2024</i> <i>SR</i> | <i>2023</i> <i>SR</i> |
|--|--------------------------|--------------------------|
| Revenue from sales of goods | 965,462,352 | 748,201,489 |
| Revenue from rendering services (delivery) | <u>38,050,535</u> | <u>34,153,612</u> |
| | <u>1,003,512,887</u> | <u>782,355,101</u> |

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21. REVENUE (Continued)

21.1 DISAGGREGATION OF REVENUE

In the following table, revenue is disaggregated by type of category and timing of revenue recognition as shown below:

| | 2024 | 2023 |
|--------------------------------------|----------------------|-------------|
| | SR | SR |
| <i>Category</i> | | |
| Local sales | 956,863,891 | 749,513,383 |
| International sales | 46,648,996 | 32,841,718 |
| | 1,003,512,887 | 782,355,101 |
| | | |
| | 2024 | 2023 |
| | SR | SR |
| <i>Timing of revenue recognition</i> | | |
| Sales made at point in time | 1,003,512,887 | 782,255,101 |

22 SELLING AND MARKETING EXPENSES

| | 31 December | 31 December |
|---|--------------------|--------------------|
| | 2024 | 2023 |
| | SR | SR |
| Advertisement | 114,441,571 | 125,895,044 |
| Computer software and license charges* | 7,962,411 | 4,881,501 |
| Sales commission | 7,138,965 | 5,088,863 |
| Bank charges | 6,240,120 | 4,087,841 |
| Withholding tax | 3,343,993 | 3,530,729 |
| Provision for/ (reversal of) expected credit losses on trade receivables (note 8) | 289,920 | (368,955) |
| Others | 1,960,076 | 978,169 |
| | 141,377,056 | 144,093,192 |

* The comparatives for 31 December 2023 have been reclassified from others.

23 GENERAL AND ADMINISTRATIVE EXPENSES

| | 31 December | 31 December |
|---|--------------------|--------------------|
| | 2024 | 2023 |
| | SR | SR |
| Employees' related costs | 27,532,054 | 20,170,605 |
| Governmental and legal fees | 5,922,338 | 3,592,465 |
| Professional fees | 2,235,696 | 4,954,813 |
| Board and other management committees' remuneration (note 18) | 1,812,630 | - |
| Insurance | 1,736,561 | 1,105,330 |
| Employees' benefits liability (note 16) | 1,562,950 | 1,093,239 |
| Utilities* | 1,540,888 | 532,332 |
| Amortization of right-of-use-assets (note 15) | 1,516,288 | 1,510,590 |
| Depreciation on property and equipment (note 5) | 963,239 | 932,659 |
| Amortization of intangible assets (note 6) | 432,776 | 459,127 |
| IPO costs** | 448,513 | - |
| Others | 3,146,268 | 2,358,771 |
| | 48,850,201 | 36,709,931 |

* The comparatives for 31 December 2023 have been reclassified from others.

** This represents the costs relating to primary offering (listing of new shares) which have been charged to the consolidated statement of comprehensive income.

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24 FINANCE COST

| | <i>31 December 2024 SR</i> | <i>31 December 2023 SR</i> |
|--|------------------------------------|------------------------------------|
| Financing costs on borrowings | 3,556,322 | 2,073,527 |
| Financing costs on lease liabilities (note 15) | 1,181,839 | 1,052,370 |
| | <u>4,738,161</u> | <u>3,125,897</u> |

25 OTHER INCOME - NET

| | <i>31 December 2024 SR</i> | <i>31 December 2023 SR</i> |
|---|------------------------------------|------------------------------------|
| Gain on lease liability extinguishment | 975,706 | 349,958 |
| (Loss)/gain on disposal of property and equipment | (74,617) | 2,286,625 |
| Others | (48,466) | 362,146 |
| | <u>852,623</u> | <u>2,998,729</u> |

26 COMMITMENTS

Significant capital expenditure contracted for as at the end of the reporting period but not recognized as liabilities is as follows:

| | <i>31 December 2024 SR</i> | <i>31 December 2023 SR</i> |
|-------------------------------------|------------------------------------|------------------------------------|
| Commitments for capital expenditure | <u>1,995,493</u> | <u>14,354,122</u> |

27 FINANCIAL INSTRUMENTS

Financial instruments by category

Financial instruments have been categorized as follows

| | <i>31 December 2024 SR</i> | <i>31 December 2023 SR</i> |
|---|------------------------------------|------------------------------------|
| <i>Financial assets</i> | | |
| <i>At amortized cost</i> | | |
| Trade receivables | 34,315,476 | 18,871,726 |
| Cash and cash equivalents | 48,628,460 | 69,378,296 |
| Amounts due from related parties | 14,830,181 | - |
| Employee receivables | 2,351,557 | 3,087,531 |
| Refundable deposits | 414,591 | 466,616 |
| Other receivables | 2,158,075 | 1,425,352 |
| | <u>102,698,340</u> | <u>93,229,521</u> |
| <i>Financial liabilities</i> | | |
| <i>At amortized cost</i> | | |
| Trade payables, accruals and other payables | 238,295,613 | 161,077,205 |
| Short-term borrowings | 61,142,696 | 23,258,418 |
| Long term borrowings | 13,157,899 | 18,421,055 |
| Lease liabilities | 12,140,450 | 11,290,937 |
| Amounts due to related parties | 1,812,630 | - |
| | <u>326,549,288</u> | <u>214,047,615</u> |

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27 FINANCIAL INSTRUMENTS (Continued)

Fair value estimation of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. All the financial assets and liabilities, except non-current portion of lease liabilities, of the Group are classified and measured at amortized cost, and the carrying amounts of these financial assets and liabilities are a reasonable approximation of fair value mainly due to the short-term maturities of these instruments. The fair value of non-current lease liabilities has been determined by discounting the expected future cash flows by the current interest rate with similar risk profiles.

The Group's principal financial liabilities comprise bank borrowings, trade and other payables and lease liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade and other receivables, bank balances and due from related party that derive directly from its operations.

28 FINANCIAL AND CAPITAL RISK MANAGEMENT

The Group is exposed to market risk, credit risk and liquidity risk. The Group's Board of Directors oversees the management of these risks. The Group's senior management is supported by the Board of Directors that advises on financial risks and the appropriate financial risk governance framework for the Group, reviews and agrees on policies for managing each of these risks, which are summarized below.

Board of Directors

The core of risk governance is the centralised oversight of the Board of Directors providing direction and the necessary approvals of strategies and policies in order to achieve defined corporate goals.

Senior management

Senior management is responsible for the day-to-day operations towards achieving the strategic goals within the Group's pre-defined risk appetite. The risks faced by the Group and the way these risks are mitigated by management are summarised below:

Market risk

Market risk is the risk that changes in market prices, such as currency rates and interest rates that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Foreign currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Arabian Riyals. The Group is subject to fluctuations in foreign exchange rates for AED and Euros. Management monitors the fluctuations in currency exchange rates and believes that effect of the currency fluctuation is not material.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk if counterparties fail to make payments as they fall due in respect of payment of trade receivables as invoices fall due 30 days after being raised.

The Group's business involves sales of items with cash on delivery basis. The Group transacts with a large number of customers and manages collections through its third-party service providers. Receivable balance, as at reporting date, represent balances due from customers and such third-party service providers.

Trade receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been computed based on shared credit risk characteristics and the days past due. The expected credit loss provision as at the end of reporting period is determined as follows. The expected credit losses below also incorporate forward looking information.

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28 FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

Trade receivables (continued)

| 31 December 2024 | Current | More than 30 days past due | More than 60 days past due | More than 120 days past due | Total |
|-----------------------------|----------------|---------------------------------------|---------------------------------------|--|------------------|
| Expected loss rate | 0% | 0% | | 100% | |
| Gross carrying amount | 33,654,658 | 660,818 | - | 2,837,742 | 37,153,218 |
| Expected credit loss | - | - | - | 2,837,742 | 2,837,742 |

| 31 December 2023 | Current | More than 30 days past due | More than 60 days past due | More than 120 days past due | Total |
|-----------------------------|----------------|---------------------------------------|---------------------------------------|--|------------------|
| Expected loss rate | 0% | - | - | 83% | |
| Gross carrying amount | 18,350,470 | - | - | 3,069,078 | 21,419,548 |
| Expected credit loss | - | - | - | 2,547,822 | 2,547,822 |

Credit risk related to financial institutions

Credit risk from balances with banks and financial institutions is managed by Group's treasury in accordance with the Group's policy. Cash is substantially placed with local banks with sound credit ratings. The Group does not consider itself exposed to a concentration of credit risk with respect to banks due to their strong financial background.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in selling assets upon necessary and in a quick manner to avoid any loss. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet any future commitments. The Group believes that it is not exposed to any significant risks of liquidity. The table below summarises the maturity profile of the financial liabilities based on contractual undiscounted payments.

| | Carrying Amount | Less than one year | 1-5 Years | Total Cashflows |
|---------------------------------|----------------------------|-------------------------------|----------------------|------------------------|
| 31 December 2024: | | | | |
| Trade and other payables | 238,295,613 | 238,295,613 | - | 238,295,613 |
| Amounts due to related parties | 1,812,630 | 1,812,630 | - | 1,812,630 |
| Short- and long-term borrowings | 74,300,595 | 66,405,852 | 8,524,971 | 74,930,823 |
| Lease liabilities | 12,140,450 | 3,693,944 | 8,446,505 | 12,140,449 |
| Total | 326,549,288 | 310,208,039 | 16,971,476 | 327,179,515 |
| | Carrying Amount | Less than one year | 1-5 Years | Total Cashflows |
| 31 December 2023: | | | | |
| Trade and other payables | 161,077,205 | 161,077,205 | - | 161,077,205 |
| Short- and long-term borrowings | 41,679,473 | 28,521,574 | 14,257,848 | 42,779,422 |
| Lease liabilities | 11,290,937 | 3,209,719 | 9,047,884 | 12,257,603 |
| Total | 214,047,615 | 192,808,498 | 23,305,732 | 216,114,230 |

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28 FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

Capital management

Capital pertains to the total equity of the Group. The primary objective of the Group's capital management is to support its business, able to continue as a going concern and maximise the returns to the shareholders.

The Group's policy is to maintain a strong capital base so as to maintain creditors and market confidence and to sustain future development of the business. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The management monitors the return on capital and the level of dividends and seeks to maintain a balance capital position.

There were no changes in the Group's management approach to capital management during the year. The Group's borrowings are subject to certain covenants, which have been met at the year end.

29 SEGMENTAL INFORMATION

Currently, the Group's Chief Operating Decision Maker (which is the Board of Directors) considers the entire operations as one single operating segment.

However, for management purposes, the Group monitors revenue as per following categorizations:

For the year ended 31 December 2024

| | <i>Central Region SR</i> | <i>Western Region (*) SR</i> | <i>Eastern Region SR</i> | <i>International Region SR</i> | <i>Total SR</i> |
|----------|----------------------------------|--------------------------------------|----------------------------------|--|---------------------|
| Revenues | 378,567,957 | 448,036,067 | 130,259,867 | 46,648,996 | 1,003,512,887 |

For the year ended 31 December 2023

| | <i>Central Region SR</i> | <i>Western Region (*) SR</i> | <i>Eastern Region SR</i> | <i>International Region SR</i> | <i>Total SR</i> |
|----------|----------------------------------|--------------------------------------|----------------------------------|--|---------------------|
| Revenues | 296,763,916 | 348,708,051 | 104,041,416 | 32,841,718 | 782,355,101 |

(*) Western region includes southern and northern regions.

30 EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit for the year over the weighted average number of shares during the year.

| | <i>2024 SR</i> | <i>2023 SR</i> |
|--|--------------------|--------------------|
| Net profit for the year | 71,745,186 | 32,624,482 |
| Weighted average number of shares - basic and diluted* | 110,000,000 | 110,000,000 |
| Earnings per share | 0.65 | 0.30 |

There has been no item of dilution affecting the weighted average number of shares.

* Earnings per share are calculated by dividing the net income by the weighted average number of outstanding shares at 31 December 2024 and the weighted average number of shares outstanding as at 31 December 2023 restated to give a retrospective effect of the change in the number of shares increased as a result of the share split and the bonus share issuance during the year (note 11). The diluted earnings per share is the same as the basic earnings per share.

The shares split, bonus issue and additional capital contribution (as disclosed in consolidated statement of changes in equity) have been treated as if no change in the economic resources for the existing (pre-transaction) shareholders. The company has witnessed a simultaneous change in the shareholders upon the capital increase, had this been considered as a change in the existing shareholding, the weighted average number of shares would have been calculated by giving effect on time proportion basis to the aforementioned share transactions (as disclosed previously) that would have resulted in a different earnings per share number.

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31 SUBSEQUENT EVENTS

Other than as disclosed in notes 1 and 11 to these consolidated financial statements, management believes there are no subsequent events that might have significant impact on these consolidated financial statements.

32 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorized to issue by the Board of Directors on 3 Ramadan 1446H (corresponding to 3 March 2025G).