

**GULF BUSINESS SOLUTIONS COMPANY
A LIMITED LIABILITY COMPANY
RIYADH - KINGDOM OF SAUDI ARABIA**

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022**



Independent auditor's report to the Partners of Gulf Business Solutions Company

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Gulf Business Solutions Company- A Limited Liability Company (the "Company"), which comprise the statement of financial position as at December 31, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in partners' equity and statement of cash flows for the year then ended and notes to the financial statements from (1) to (25), including a summary of significant accounting policies.

In our opinion, the financial statements, taken as whole:

Present fairly, in all material respects the financial position of the Company as of December 31, 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) for Small and Medium Sized Entities (SMEs) as adopted in Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization of Chartered and Professional Accountants appropriate to the circumstances of the company.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) as 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 Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Saudi Arabia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter:

1. The Company incurred cumulative losses amounted to SR. 1,255,059 which exceeded 50% of the capital. Accordingly Article 182 of the Companies Law is applicable. The accompanying financial statements were prepared on the basis of going concern.
2. Due from related party included an amount due from partner amounted to SR. 500,000, which is considered a violation of Article of association of the company.

Responsibilities of Management and those charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS for Small and Medium Sized Entities (SMEs), the Companies Law and the Articles of Association of the Company and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Independent auditor's report to the Partners of Gulf Business Solutions Company

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 (ISA) as 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 financial statements.

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

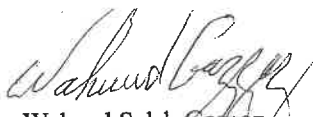
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 Company'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 evidenced obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Jeddah
April 11, 2023



**Aldar Audit Bureau
Abdullah Al Basri & Co.**


Waheed Salah Gazzaz,
Certified Public Accountant
License No. 247

GULF BUSINESS SOLUTIONS COMPANY

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	<u>Note</u>	<u>2 0 2 2</u> SR.	<u>2 0 2 1</u> SR.
<u>ASSETS</u>			
Non-current assets			
Property and equipment	7	476,898	588,015
Intangible asset	8	84,014	29,649
Finance lease receivable – long term	9	492,719	99,591
Work in progress	10	1,888,871	--
Total non-current assets		2,942,502	717,255
Current assets			
Trade and other receivables	11	6,100,165	1,502,789
Unbilled receivables	12	3,394,156	--
Inventories	13	1,026,884	306,721
Due from related parties	14.1	500,000	500,000
Finance lease receivable – short term	9	283,643	49,795
Cash and cash equivalents	15	1,898,870	276,178
Total current assets		13,203,718	2,635,483
Total assets		16,146,220	3,352,738
<u>PARTNERS' EQUITY AND LIABILITIES</u>			
<u>PARTNERS' EQUITY</u>			
Capital	16	500,000	500,000
Cumulative (losses)		(1,125,944)	(1,300,006)
Net partners' equity (Deficit)		(625,944)	(800,006)
<u>LIABILITIES</u>			
Non-current liabilities			
End-of-service indemnities	17	105,631	8,569
Total non-current liabilities		105,631	8,569
Current liabilities			
Trade and other payables	18	8,202,454	1,485,876
Due to related parties	14.2	6,992,328	2,632,451
Unearned revenue	19	1,464,285	--
Zakat provision	20	7,466	25,848
Total current liabilities		16,666,533	4,144,175
Total liabilities		16,772,164	4,152,744
Total partners' equity and liabilities		16,146,220	3,352,738

The attached notes are an integral part of these financial statements

GULF BUSINESS SOLUTIONS COMPANY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended December 31, 2022

	Note	For the year ended December 31, 2 0 2 2 SR.	For the period from November 23, 2020 to December 31, 2 0 2 1 SR.
Revenue	21	18,832,515	1,418,453
Cost of revenue	22	(14,976,954)	(1,055,144)
Gross profit		3,855,561	363,309
General and administrative expenses	23	(3,666,348)	(1,637,467)
Financial charges		(38,623)	--
Other income		30,938	--
Operating profit (loss)		181,528	(1,274,158)
Net profit (loss) for the year before zakat		181,528	(1,274,158)
Zakat	20	(7,466)	(25,848)
Net profit (loss) for the year / period		174,062	(1,300,006)
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Other comprehensive income		--	--
Total comprehensive income (loss) for the year / period		174,062	(1,300,006)

The attached notes are an integral part of these financial statements

GULF BUSINESS SOLUTIONS COMPANY**STATEMENT OF CHANGES IN PARTNERS' EQUITY**
For the year ended December 31, 2022

	Capital	Cumulative (losses)	Net
	<u>SR.</u>	<u>SR.</u>	<u>SR.</u>
Balance as at November 23, 2020	500,000	--	500,000
Net (loss) for the period	--	(1,300,006)	(1,300,006)
Other comprehensive income	--	--	--
Total comprehensive (loss)	--	(1,300,006)	(1,300,006)
Balance as at December 31, 2021	500,000	(1,300,006)	(800,006)
Net profit for the year	--	174,062	174,062
Other comprehensive income	--	--	--
Total comprehensive income	--	174,062	174,062
Balance as at December 31, 2022	<u>500,000</u>	<u>(1,125,944)</u>	<u>(625,944)</u>

The attached notes are an integral part of these financial statements

GULF BUSINESS SOLUTIONS COMPANY

STATEMENT OF CASH FLOWS
For the year ended December 31, 2022

	For the year ended December 31, 2 0 2 2	For the period from November 23, 2020 to December 31, 2 0 2 1
	SR.	SR.
FROM OPERATING ACTIVITIES		
Net profit (loss) for the year /period	174,062	(1,300,006)
Adjustment to reconcile net profit (loss) to net cash provided by (used in):		
Zakat	7,466	(25,848)
Depreciation	186,462	120,753
Amortization	33,050	6,089
End-of-service indemnities	117,105	8,569
Net adjusted profit (loss)	518,145	(1,138,747)
<i>Changes in operating assets and liabilities</i>		
Inventories	(720,163)	(306,721)
Trade and other receivables	(4,597,376)	(1,502,789)
Unbilled receivables	(3,394,156)	--
Work in progress	(1,888,871)	--
Due from related parties	--	(500,000)
Trade and other payables	6,716,579	1,485,875
Unearned revenue	1,464,285	--
Due to related parties	4,359,876	(2,632,451)
End of service benefits paid	(20,043)	--
Zakat Paid	(25,848)	--
Net cash provided by operating activities	2,412,428	670,069
FROM INVESTING ACTIVITIES		
Property and equipment	(75,345)	(708,768)
Intangible asset	(87,415)	(35,737)
Finance lease receivable	(626,976)	(149,386)
Net cash (used in) investing activities	(789,736)	(893,891)
FROM FINANCING ACTIVITIES		
Capital	--	500,000
Net cash provided by financing activities	--	500,000
NET INCREASE IN CASH	1,622,692	276,178
CASH AND CASH EQUIVALNETS AT BEGINNING OF THE YEAR /PERIOD	276,178	--
CASH AND CASH EQUIVALNETS CASH AT END OF THE YEAR /PERIOD	1,898,870	276,178

The attached notes are an integral part of these financial statements

GULF BUSINESS SOLUTIONS COMPANY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

1. INTRODUCTION

Gulf Business Solutions Company is a limited liability company operating in the Kingdom of Saudi Arabia under C.R.No. 1010670544 issued from Riyadh on Rabia Al Thani 8, 1442(H) corresponding to November 23, 2020 (G).

The main objective of the Company is wholesale of computers and their accessories, including (selling printers and their inks), wholesale of software, including import, wholesale of photo cameras and their accessories, wholesale of digital map devices, wholesale of office equipment and machines except for computers and their accessories, sale of printing machines and equipment and systems analysis.

The Company's registered office is situated at Khudair'a Al Sulai , Riyadh - Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) issued by the Saudi Organization for Chartered and Professional Accountant endorsed in the Kingdom of Saudi Arabia.

Details of the Company's accounting policies are included in Note 6.

3. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are prepared in Saudi Riyal, (SR), which is the Company's functional currency. All amounts in Saudi Riyals, unless otherwise indicated.

4. USE OF JUDGMENTS AND ESTIMATES

The preparation of financial statements, in conformity with IFRS for SMEs as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, requires the use of judgements, estimates and assumptions. Such estimates and assumptions may affect the balances reported for certain assets and liabilities as well as the disclosure of certain contingent assets and liabilities as at the statement of financial position date. Any estimates or assumptions affecting assets and liabilities may also affect the reported revenues and expenses for the same reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

4.1 Judgments

Information about judgement made in applying accounting policies that have the most significant effects on the amounts recognised in the Financial statements.

Information about significant areas that involve a higher degree of judgment or complexity, or areas where assumptions or estimates have a significant risk of resulting in a material adjustment to the amounts recognised in the financial statements are as follows:

GULF BUSINESS SOLUTIONS COMPANY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

4. USE OF JUDGMENTS AND ESTIMATES

4.1 Judgments (Continued...)

Going concern

Management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. therefore, the financial statements are prepared on a going concern basis.

Depreciation of property and equipment

Items of property and equipment are depreciated over their estimated individual useful lives. The determination of useful lives is based on the expected usage of the asset, physical wear and tear, and technological or commercial obsolescence, and impacts the annual depreciation charge recognized in profit or loss. Management reviews annually the residual values and useful lives of these assets. Future depreciation charge could be materially adjusted where management believes the useful lives and/or the residual values differ from previous estimates.

Impairment of property and equipment

The carrying amount of the Company's property and equipment is reviewed at each reporting date to determine whether there is any indication of impairment. As at the reporting date, management did not identify any evidence from internal reporting indicating impairment of an asset or class of assets and there were no significant adverse changes in the market that could have an adverse effect of its assets. If such indication exists, then an impairment test is performed by the management. The determination of what can be considered impaired, as well as the determination of recoverable amounts, require management to make significant judgments, estimation and assumptions.

Impairment of receivables

The carrying amount of the Company's receivables are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, then an impairment test is performed by the management. Management uses considerable judgment to estimate any irrecoverable amounts of receivables, determined by reference to past default experience of a counterparty and an analysis of the counterparty's financial situation.

Provisions and liabilities

Provisions and liabilities are recognised in the period only to the extent management consider it probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability require the application of judgment to existing facts and circumstances, which can be subject to change. Since the actual cash outflows can take place in subsequent years, the carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances. A change in estimate of a recognized provision or liability would result in a charge or credit to profit or loss in the period in which the change occurs.

5. BASIS OF MEASUREMENT

The financial statements have been prepared on the historical cost convention, except for certain items and disclosed in the relevant accounting policies below.

GULF BUSINESS SOLUTIONS COMPANY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

6.1 Cash and cash equivalent

For the purpose of the Statement of Cash Flows, cash and cash equivalents include bank balances and deposits with original maturities of three months or less, if any.

6.2 Financial Instruments

i) Non-Derivative Financial assets

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

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

Financial assets and liabilities are offset and the net amount is presented in the Statement of Financial Position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets;

Non-Derivative Financial liabilities

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

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

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method. Non-derivative financial liabilities of the Company comprise of bank borrowings and trade and other payables.

Non-derivative financial liabilities of the Company comprises of bank borrowings and trade and other payables.

GULF BUSINESS SOLUTIONS COMPANY

NOTES TO THE FINANCIAL STATEMENTS For the year ended December 31, 2022

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued...)

6.2 Financial Instruments (Continued...)

Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of result of one or more events that occurred after the initial recognition of the asset, and that loss events had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

6.3 Trade and other receivables

Receivables are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when a collection of the full amount is no longer probable. Bad debts are written off as incurred.

6.4 Trade and other payables

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

6.5 Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

6.6 Statutory reserve

In accordance with the Saudi Arabian Regulations for Companies and Company's Articles of Association, the Company must set aside 10% of its net income for the year until it has built up a reserve equal to 30% the capital. The Company may discontinue such transfer when it achieves this percentage. The reserve is not available for distribution.

6.7 Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong capital base in order to support its business and to sustain future development of the business. Management monitors its capital structure and makes adjustments to it, in light of economic conditions.

GULF BUSINESS SOLUTIONS COMPANY

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2022

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued...)

6.8 Leases

Assets held under leases that transfer to the company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Company's Statement of Financial Position. Rentals in respect of operating leases are charged to the Statement of Profit or Loss over the term of the leases.

6.9 Revenue

Revenue is recognized to the extent of the following recognition requirements:

- it is probable that the economic benefits will flow to the Company,
- it can be reliably measured, regardless of when the payment is being made, and
- the cost incurred to date and expected future costs are identifiable and can be measured reliably.

Services:

Revenue from rendering of services is recognized over a period of time when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at reporting date. Where the outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

Sale of goods:

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer. This is usually at the point that the customer has signed for the delivery of the goods.

6.10 Foreign currency transactions

Foreign currency transactions are converted and booked in Saudi Riyals at standard exchange rates which are periodically set to reflect average market rates or forward rates if the transactions were so covered. At the reporting date, assets and liabilities denominated in foreign currencies are converted into Saudi Riyals at the exchange rates ruling on such date or at the forward purchase rates if so covered. Any resulting exchange variances are charged or credited to the unconsolidated Statement of Profit or Loss as appropriate.

6.11 Zakat

Zakat is provided in accordance with the rules and regulations of the Zakat, Tax and Custom Authority (ZATCA) in the Kingdom of Saudi Arabia on an accrual basis. Zakat is charged to retained earnings (for mixed Company).

6.12 Expenses

Marketing expenses represents those expenses incurred by the management to sell the services. All other expenses except direct cost and financial charges are classified as an administrative expenses.

GULF BUSINESS SOLUTIONS COMPANY

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2022

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued...)

6.13 Current /non-current classification

The Company classifies its assets and liabilities into current and non-current in the financial position. The asset is classified as a current when:

- There is an intent to sell it or use it in the current operation period.
- Mainly for trading.
- Estimated to be recognized within 12 months from the date of financial position.
- Cash and cash equivalents, unless restricted or used to settle an obligation within 12 months from the date of financial position.

All other assets are classified as non-current assets.

The liabilities are classified to current when:

- Expected to be settled in the current operating period.
- Held mainly for trading.
- Estimated to be settled within 12 months from the date of financial position.

All other liabilities are classified as non-current liabilities.

7. PROPERTY AND EQUIPMENT

This item consists of the following:

	Office & IT Equipment	Computers	Furniture & fixture SR	Total SR
<u>Cost:</u>				
As at November 23, 2020	--	--	--	--
Additions	452,860	--	255,908	708,768
As at December 31, 2021	452,860	--	255,908	708,768
Additions	113,491	14,846	8,423	136,760
Transfers/ adjustments	(61,415)	7,616	(7,616)	(61,415)
As at December 31, 2022	504,936	22,462	256,715	784,113
<u>Accumulated depreciation:</u>				
As at November 23, 2020	--	--	--	--
Depreciation charged for the period	77,154	--	43,599	120,753
As at December 31, 2021	77,154	--	43,599	120,753
Depreciation charged for the year	130,573	3,989	63,313	197,875
Transfers / adjustments	--	952	(12,365)	(11,413)
As at December 31, 2021	207,727	4,941	94,547	307,215
<u>Net Book Value</u>				
As at December 31, 2022	297,209	17,521	162,168	476,898
As at December 31, 2021	375,706	--	212,309	588,015

GULF BUSINESS SOLUTIONS COMPANY**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2022

8. INTANGIBLE ASSETS

This item consists of the following:

	<u>2 0 2 2</u>	<u>2 0 2 1</u>
	SR.	SR
<u>Cost of computer software</u>		
Opening balance	35,738	--
Additions	26,000	35,738
Transfers / adjustments	61,415	--
Closing balance – Cost	<u>123,153</u>	<u>35,738</u>
<u>Accumulated amortization</u>		
Opening balance	6,089	--
Amortization	21,637	6,089
Transfers / adjustments	11,413	--
Closing balance – Accumulated amortization	<u>39,139</u>	<u>6,089</u>
Carrying Amounts	<u>84,014</u>	<u>29,649</u>

9. FINANCE LEASE RECEIVABLE

This item represents lease agreements of office equipment provided to clients for the duration of 36 month included lease interest, receivables are classified in balance sheet as following:

	<u>2 0 2 2</u>	<u>2 0 2 1</u>
	SR.	SR.
Finance lease receivable – long term	<u>492,719</u>	<u>99,591</u>
Finance lease receivable – short term	<u>492,719</u>	<u>49,795</u>

10. WORK IN PROGRESS

This item represents milestone based multiple deliverables done over a period and IT Solutions (hardware & software) installation and software license that provided but not charged and invoiced to customer till balance sheet date and amount outstanding at December 31,2022 to SR. 1,888,871 (2021: NIL) :

11. TRADE AND OTHER RECEIVABLES

This item consists of the following:

	<u>2 0 2 2</u>	<u>2 0 2 1</u>
	SR.	SR
Accounts receivable	5,234,264	1,388,960
Accrued Income	128,560	45,494
Prepaid expenses	252,844	68,335
Advance to Suppliers	334,174	--
Advance to Employees	9,900	--
Letter of guarantee	114,234	--
Others	26,189	--
	<u>6,100,165</u>	<u>1,502,789</u>

GULF BUSINESS SOLUTIONS COMPANY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

12. UNBILLED RECEIVABLES

This item represents annual maintenance & support contracts, IT infrastructure managing services that provided but not charged and invoiced to customer till balance sheet date and amount outstanding at December 31,2022 to SR. 3,394,156 (2021: NIL).

13. INVENTORIES

This item consists of the following:

	<u>2 0 2 2</u>	<u>2 0 2 1</u>
	SR.	SR
IT hardware and equipment & related spare parts and consumables	1,026,884	306,721

14. RELATED PARTIES TRANSACTIONS AND BALANCES

- Related parties as of December 31 are comprised of the following:

14.1 Due from related parties

Name of the related party	Relationship	Nature of transaction	Transactions during the year		Year end balances	
			2022 SR.	2021 SR.	2022 SR.	2021 SR.
Mr. Saeed Ahmed Ghabbash	Partner	Capital	--	250,000	250,000	250,000
Mr. Nawaf Ghabbash Ahmed Al Marri	Partner	Capital	--	250,000	250,000	250,000
Total					500,000	500,000

14.2 Due to related parties

Name of the related party	Relationship	Nature of transaction	Transactions during the year		Year end balances	
			2022 SR.	2021 SR.	2022 SR.	2021 SR.
Gulf Commercial Group Co.	Related party	Fund received	472,332	2,065,097	4,723,329	2,065,097
Computer Network Systems Co.	Related party	Fund received	1,701,645	567,354	2,268,999	567,354
Total					6,992,328	2,632,451

GULF BUSINESS SOLUTIONS COMPANY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

15. CASH AND CASH EQUIVALENTS

This item consists of the following:

	<u>2 0 2 2</u>	<u>2 0 2 1</u>
	SR.	SR
Cash at banks	1,898,870	276,178

16. CAPITAL AND STATUTORY RESERVE

The paid up capital of the company is SR. 500,000 divided into 500,000 parts of SR. 1 each distributed between the partners as follows:

<u>Partners</u>	<u>Percentage</u>	<u>No. of parts</u> SR.	<u>Per Part</u> SR.	<u>Amount</u> SR.
Mr. Saeed Ahmed Ghabbash	50%	250,000	1	250,000
Mr. Nawaf Ghabbash Ahmed Al Marri	50%	250,000	1	250,000
Total	<u>100%</u>	<u>500,000</u>		<u>500,000</u>

16.1 STATUTORY RESERVE

In accordance with the Saudi Arabian Regulations for Companies and Company's Articles of Association, the Company must set aside 10% of its net income for the year until it has built up a reserve equal to 30% the capital. The Company may discontinue such transfer when it achieves this percentage.

17. END OF SERVICE INDEMNITIES

This item consists of the following:

	<u>2 0 2 2</u>	<u>2 0 2 1</u>
	SR.	SR
Opening balance	8,569	--
Provided during the period	117,105	8,569
Paid	(20,043)	--
Closing balance	<u>105,631</u>	<u>8,569</u>

- Financial & Actuarial Assumptions:

SR.	<u>2 0 2 2</u>	<u>2 0 2 1</u>
	SR.	
Discount Rate	2.62%	--
Salary Increase Rate	5.11%	--
Retirement Assumption	60 years	60 years

- Sensitivity Analysis on Defined Benefit Obligation:

SR.	<u>2 0 2 2</u>	<u>2 0 2 1</u>
	SR.	
Discount Rate + 100 bps	102,353	--
Discount Rate - 100 bps	109,203	--
Salary Increase + 100 bps	109,095	--
Salary Increase -100 bps	<u>102,237</u>	<u>--</u>

GULF BUSINESS SOLUTIONS COMPANY

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2022

18. TRADE AND OTHER PAYABLES

This item consists of the following:

	<u>2 0 2 2</u>	<u>2 0 2 1</u>
	SR.	SR
Accounts payable	4,459,000	33,078
Salary payables	95,321	54,244
Accrued staff other benefits	221,815	48,920
VAT payable	610,941	195,039
Accrued professional fees	40,000	35,000
Withholding Tax	17,696	--
Other payables	2,757,681	1,119,595
Total	<u>8,202,454</u>	<u>1,485,876</u>

19. UNEARNED REVENUE

This item represents over invoiced to the customers for the contract and services provided that will recognize as revenue subsequently to balance sheet date and amount outstanding at December 31,2022 to SR. 1,464,285 (2021: NIL).

20. ZAKAT PROVISION

a) Zakat calculation for the year / period:

	<u>For the year ended December 31, 2 0 2 2</u>	<u>For the period from November 23, 2020 to December 31, 2 0 2 1</u>
	SR.	SR
Capital	500,000	500,000
Net adjusted profit (loss) for the year /period	298,633	(1,265,461)
Cumulative (losses)	(1,300,006)	
Provisions	(11,474)	
Due to related parties	--	2,132,451
Property and equipment	(476,898)	(588,015)
Intangible asset	(84,014)	(29,649)
Zakat base	<u>(1,073,759)</u>	<u>749,326</u>
Zakat due on adjusted profit	<u>7,466</u>	<u>25,848</u>

b) Zakat provision movement:

	<u>2 0 2 2</u>	<u>2 0 2 1</u>
	SR.	SR
Balance as of 1/1 – 23/11	25,848	--
Provided during year / period	7,466	25,848
Paid during year / period	<u>(25,848)</u>	<u>--</u>
Balance as of 31/12	<u>7,466</u>	<u>25,848</u>

GULF BUSINESS SOLUTIONS COMPANY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

21. REVENUE

This item consists of the following:

	2 0 2 2	2 0 2 1
	SR.	SR
Direct sales, lease and services revenue	9,415,353	1,418,453
IT contract project revenue	5,092,436	--
IT Support and maintenance services revenue	4,324,725	--
Total	18,832,515	1,418,453

22. COST OF REVENUE

This item consists of the following:

	2 0 2 2	2 0 2 1
	SR.	SR
Cost of services revenue	9,207,694	1,055,144
Cost of contract project	4,259,034	--
Cost of Support and maintenance services	1,510,226	--
Total	14,976,954	1,418,453

23. GENERAL AND ADMINISTRATIVE EXPENSES

This item consists of the following:

	For the year ended December 31, 2 0 2 2	For the period from November 23, 2020 to December 31, 2 0 2 1
	SR.	SR
Salaries and other benefits	2,127,228	1,177,435
GOSI Expense	69,629	--
End of service benefits	117,105	28,533
Medical & other Insurance	149,740	17,492
Depreciation	186,462	120,753
Amortization	33,050	6,089
Travel expenses	76,446	56,980
Professional fees	272,699	51,726
Rent expenses	93,788	63,776
Utilities	7,924	1,096
Maintenance expenses	69,971	--
Telephone & postage	21,689	5,236
Printing & Stationary	2,557	2,684
Bank charges	38,858	146
Other expenses	399,202	105,522
Total	3,666,348	1,637,467

GULF BUSINESS SOLUTIONS COMPANY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2022

24. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVE AND POLICIES

24.1 Fair value measurement 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. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

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

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

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

24.2 Financial risk management

The Company has exposure to the following risks arising from financial instrument:

- Credit risk
- Liquidity risk
- Market risk
- Currency risk

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. The carrying amount of financial assets represents the maximum credit exposure.

Trade Receivables

The Company's receivables come from a large client bases and consequently, the Company does not have a credit concentration risk.

Management believes that there is no credit risk from trade receivables and because these counterparties are financially healthy.

The Company limits its exposure to credit risk from trade receivables by:

- evaluating the creditworthiness of each counter-party prior to entering into contracts;
- establishing sale limits for each counter-party, which are reviewed regularly; and
- periodically reviewing the collectability of its trade receivables for identification of any impaired amounts.

GULF BUSINESS SOLUTIONS COMPANY

NOTES TO THE FINANCIAL STATEMENTS For the year ended December 31, 2022

24. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVE AND POLICIES (Continued...)

24.2 Financial risk management (continued)

As a result of the above, management believes that there is no significant credit risk on its trade receivables as presented on the statement of financial position.

Cash and cash equivalents

The Company held cash and cash equivalents of SR 1,898,886 at 31 December 2022 SR. 1,898,870 (SR 276,178 at 31 December 2021). The cash and cash equivalents are held with reputable banks in the Kingdom of Saudi Arabia with high credit ratings, which are rated B to A1. Therefore, management believes that credit risk in respect of these balances is minimal.

Liquidity risk

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

Market risk

Market risk is the risk that changes in market prices, such as equity prices, will affect the Company'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 optimising the return. The Company manages market risk by analysing the market risk and developing policies and corporate objectives to support ongoing management of market risk.

Currency risk

The Company is not exposed to currency risk, as it did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars. As the Saudi Riyal is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk to the Company.

25. FINANCIAL STATEMENTS APPROVAL

These financial statements were approved by the Company's Partners on Ramadan 21,1444 (H), corresponding to April 11, 2023 (G).