AL NAHDI MEDICAL COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2021

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(A SAUDI CLOSED JOINT STOCK COMPANY)

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INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF AL NAHDI MEDICAL COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)

Opinion

We have audited the consolidated financial statements of Al Nahdi Medical Company (A Saudi Closed Joint Stock Company) ("the Company"), and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in partners' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. 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 professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have 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.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2020, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 30 May 2021 (corresponding to 18 Shawwal 1442H).

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

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF
AL NAHDI MEDICAL COMPANY
(A SAUDI CLOSED 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

for Ernst & Young Professional Services

Abdullah Ali AlMakrami
Certified Public Accountant
License No. 476

Jeddah: 26 Sha'ban 1443H
29 March 2022G

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Ernst & Young Professional Services
(Professional LLC)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Note	*31 December 2021 SR*	*31 December 2020 SR*
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	6	885,639,645	812,298,165
Investment properties	7	230,085,000	179,000,000
Intangible assets	8	44,206,156	41,363,540
Right-of-use assets	9	1,327,618,022	1,206,516,525
TOTAL NON-CURRENT ASSETS		2,487,548,823	2,239,178,230
CURRENT ASSETS			
Inventories	10	1,116,481,902	1,148,920,637
Trade receivables	11	140,283,118	98,499,175
Prepayments and other current assets	12	141,566,282	170,831,771
Cash and cash equivalents	13	401,044,447	1,008,529,663
TOTAL CURRENT ASSETS		1,799,375,749	2,426,781,246
TOTAL ASSETS		4,286,924,572	4,665,959,476
PARTNERS' EQUITY AND LIABILITIES			
PARTNERS' EQUITY			
Capital	14(a)	1,300,000,000	1,000,000,000
Statutory reserve	14(b)	191,164,445	109,911,582
Retained earnings		112,615,756	969,030,474
Foreign currency translation reserve		(184,702)	(161,181)
TOTAL PARTNERS' EQUITY		1,603,595,499	2,078,780,875
NON-CURRENT LIABILITIES			
Lease liabilities	9	991,642,150	828,952,941
Accruals and other non-current liabilities	17	19,094,000	14,380,998
Employee benefit liabilities	15	386,732,043	329,487,592
TOTAL NON-CURRENT LIABILITIES		1,397,468,193	1,172,821,531
CURRENT LIABILITIES			
Trade payables	16	483,995,057	440,257,401
Due to related parties		-	24,179,176
Lease liabilities – current portion	9	367,415,040	406,125,567
Accruals and other current liabilities	17	337,577,035	445,741,006
Zakat provision	18	96,873,748	98,053,920
TOTAL CURRENT LIABILITIES		1,285,860,880	1,414,357,070
TOTAL LIABILITIES		2,683,329,073	2,587,178,601
TOTAL PARTNERS' EQUITY AND LIABILITIES		4,286,924,572	4,665,959,476

APPROVED BY: Abdullah Al Nahdi DEPUTY CHAIRMAN	APPROVED BY: Yasser Joharji CEO	APPROVED BY: Mohammed Al-Khubani CFO

The attached notes from 1 to 33 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	*31 December 2021 SR*	*31 December 2020 SR*
Revenue	29	8,066,215,379	8,642,207,006
Cost of revenue	19	(4,761,534,264)	(5,392,535,354)
GROSS PROFIT		3,304,681,115	3,249,671,652
Other operating income, net	20	71,685,599	15,611,306
Selling and distribution expenses	21	(2,149,404,794)	(1,987,553,265)
General and administrative expenses	22	(307,393,013)	(337,032,026)
Reversal of expected credit losses		-	18,000,000
OPERATING PROFIT FOR THE YEAR		919,568,907	958,697,667
Finance costs		(78,881,567)	(57,499,591)
Other income, net	23	10,610,391	7,247,743
Impairment reversal/ (charge) of investment properties		5,969,000	(14,000,000)
PROFIT FOR THE YEAR BEFORE ZAKAT		857,266,731	894,445,819
Zakat charge	18	(44,738,103)	(45,330,000)
NET PROFIT FOR THE YEAR		812,528,628	849,115,819
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that will not be reclassified to profit or loss in subsequent periods:			
Re-measurement loss on defined benefits obligation	15	(27,690,483)	(19,576,276)
Items that may be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations		(23,521)	(161,181)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		784,814,624	829,378,362
EARNINGS PER SHARE			
Basic and diluted, earnings per share attributable to ordinary equity holders of the Parent Company		6.25	6.53

APPROVED BY:	APPROVED BY:	APPROVED BY:
Abdullah Al Nahdi	Yasser Joharji	Mohammed Al-Khubani
DEPUTY CHAIRMAN	CEO	CFO

The attached notes from 1 to 33 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN PARTNERS' EQUITY

For the year ended 31 December 2021

	Capital	*Statutory reserve*	*Retained earnings*	*Foreign currency translation reserve*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*
Balance as at 1 January 2020	50,000,000	25,000,000	1,709,402,513	-	1,784,402,513
Net profit for the year	-	-	849,115,819	-	849,115,819
Other comprehensive loss for the year	-	-	(19,576,276)	(161,181)	(19,737,457)
Total comprehensive income for the year	-	-	829,539,543	(161,181)	829,378,362
Dividends (note 14c)	-	-	(535,000,000)	-	(535,000,000)
Transfer to capital	950,000,000	-	(950,000,000)	-	-
Transfer to statutory reserve	-	84,911,582	(84,911,582)	-	-
Balance as at 31 December 2020	1,000,000,000	109,911,582	969,030,474	(161,181)	2,078,780,875
Net profit for the year	-	-	812,528,628	-	812,528,628
Other comprehensive loss for the year	-	-	(27,690,483)	(23,521)	(27,714,004)
Total comprehensive income for the year	-	-	784,838,145	(23,521)	784,814,624
Dividends (note 14c)	-	-	(1,260,000,000)	-	(1,260,000,000)
Transfer to capital (note 14a)	300,000,000	-	(300,000,000)	-	-
Transfer to statutory reserve	-	81,252,863	(81,252,863)	-	-
Balance as at 31 December 2021	**1,300,000,000**	**191,164,445**	**112,615,756**	**(184,702)**	**1,603,595,499**

APPROVED BY: Abdullah Al Nahdi DEPUTY CHAIRMAN	APPROVED BY: Yasser Joharji CEO	APPROVED BY: Mohammed Al-Khubani CFO

The attached notes from 1 to 33 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	*31 December 2021 SR*	*31 December 2020 SR*
OPERATING ACTIVITIES			
Profit for the year before zakat		857,266,731	894,445,819
Adjustment to reconcile profit for the year before zakat to net cash flows from operating activities:			
Depreciation of property and equipment	6	160,851,655	140,630,127
Depreciation of right-of-use assets	9	386,446,137	349,013,626
Amortisation of intangible assets	8	24,202,506	20,126,342
Gain on disposal of property and equipment		(147,566)	(1,126,248)
Loss on disposal of intangible assets	8	121,081	-
Loss on termination of right-of-use assets		1,501,373	-
(Reversal)/Impairment of property and equipment	6	(13,523,000)	8,599,150
(Reversal)/Impairment of investment properties	7	(5,969,000)	14,000,000
Provision for employee benefits	15	60,452,977	57,379,808
(Reversal)/provision for slow moving and obsolete inventories, net	10	(22,832,015)	142,329,000
Impairment/(reversal) loss on trade receivables	11	5,868,027	(18,000,000)
Finance costs		78,881,567	47,192,649
		1,533,120,473	1,654,590,273
Working capital adjustments:			
Inventories		55,270,750	(189,426,261)
Trade receivables		(47,651,970)	58,642,103
Prepayments and other current assets		29,265,489	(19,442,526)
Trade and other payables		43,737,656	(70,246,855)
Accruals and other current liabilities		(97,147,225)	217,475,158
Due to related parties		(24,179,176)	-
Cash from operations		1,492,415,997	1,651,591,892
Finance costs paid		(31,247,900)	-
Zakat paid	18	(48,380,924)	(30,943,252)
Employee benefits paid	15	(31,183,039)	(34,800,262)
Net cash flows from operating activities		1,381,604,134	1,585,848,378
INVESTING ACTIVITIES			
Purchase of property and equipment	6	(282,574,314)	(295,848,433)
Proceeds from sale of property and equipment		7,102,060	13,821,838
Purchase of intangible assets		(23,892,329)	(23,951,426)
Net movement in short-term investments		-	202,831,643
Net cash flows used in investing activities		(299,364,583)	(103,146,378)
FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities	9	(429,701,246)	(311,525,936)
Dividends paid	14(c)	(1,260,000,000)	(535,000,000)
Net cash flows used in financing activities		(1,689,701,246)	(846,525,936)
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(607,461,695)	636,176,064
Net foreign exchange difference		(23,521)	
Cash and cash equivalents at the beginning of the year		1,008,529,663	372,353,599
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	13	401,044,447	1,008,529,663
SUPPLEMENTARY NON-CASH INFORMATION			
Transfer to capital from retained earnings		300,000,000	-

APPROVED BY:	APPROVED BY:	APPROVED BY:
Abdullah Al Nahdi	Yasser Joharji	Mohammed Al-Khubani
DEPUTY CHAIRMAN	CEO	CFO

The attached notes from 1 to 33 form an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

Al Nahdi Medical Company (the "Parent Company" or the "Company") is a Saudi Closed Joint Stock Company (previously A Limited Liability Company) formed under Companies Law in the Kingdom of Saudi Arabia under Commercial Registration No. 4030053868 dated 1 October 2003 (corresponding to 5 Sha'ban 1424H). During the year, the Group commenced the process for Initial Public Offering ("IPO") which was approved by Capital Markets Authority of Saudi Arabia (CMA) on 29 December 2021 (corresponding to 25 Jumada Al-Ula1443H). Further, on 16 September 2021 (corresponding to 9 Safar 1443H), a resolution was passed to convert the Company from 'A Limited Liability Company' to 'A Saudi Closed Joint Stock Company'. The legal formalities in this regard were completed on 11 October 2021 (corresponding to 5 Rabi' I 1443H), and the legal form became "A Saudi Closed Joint Stock Company". The Group is operating in accordance with the Ministry of Health License No. 26-101-31-67-3 dated 28 December 2003 (corresponding to 22 Dhul-Hijjah 1424H).

The principal activity of the Group is the wholesale and retail trading of cosmetics, pharmaceutical products, special and healthy foods and medical equipment.

The Group operates in the Kingdom of Saudi Arabia ("KSA") and the United Arab Emirates ("UAE") and its Head Office is located at the following address:

Al Nahdi Medical Company,
P. Box 17129,
Jeddah 21484,
Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in KSA and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to "IFRSs endorsed in KSA").

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis using the accrual basis of accounting and the going concern assumption, except for the valuation of employee benefit liabilities where actuarial present value calculations are used.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals ("SR") which is also the functional and presentation currency of the Group.

2.4 Basis of consolidation

These consolidated financial statements include the financial position and performance of the Parent Company and the following direct and indirect subsidiaries (collectively referred to "the Group") in which the Company exercises control as at 31 December 2021:

Subsidiary name	*Country of incorporation*	*Principal business activity*	*Effective ownership interest*	
			31 December 2021	*31 December 2020*
Al Nahdi Care	KSA	Clinics	100%	100%
Sakhaa Golden Company*	KSA	Labor Services	100%	100%
Nahdi Investment Company**	UAE	Holding Company	100%	100%

2. BASIS OF PREPARATION (continued)

2.4 Basis of consolidation (continued)

*On 1 October 2020, the Company acquired 100% of the shares in Sakhaa Golden for Trading and Contracting Company Limited.

**As at 31 December 2021, Nahdi Investment Company also has investments in the following subsidiaries:

Subsidiary name	*Country of incorporation*	*Principal business activity*	*Effective ownership interest*	
			31 December 2021	*31 December 2020*
Nahdi Drug Store	UAE	Drug store	99%	99%
Al Nahdi Pharmacy	UAE	Pharmacy	99%	99%

The remaining 1% is held by Mr. Saleh Mohamed Amer Salmeen Al Hajeri of Al Nahdi Investment Co. who holds the share for the beneficial interest of the Company.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Group, using consistent accounting policies of the Group.

Non-controlling interests (NCI)
NCI are measured at their proportionate share of the identifiable net assets at the date of acquisition. Change in the Group's interest in a subsidiary that do not result in a loss of control is accounted for as equity transactions.

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated.

Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

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 control over an investee, including:

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

The Group re-assesses whether 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 year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Control is achieved when the Group is exposed, or has rights, to variable returns from its transactions with the investee and has the ability to affect those returns through exercising 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 the Group the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its transactions with the investee.
- The ability to use its power over the investee to affect its returns.

2. BASIS OF PREPARATION (continued)

2.4 Basis of consolidation (continued)

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 control over an investee, including:

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

The Group re-assesses whether 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 year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

2.5 Significant accounting judgments, estimates 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, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The significant judgments made by management in applying the Group's accounting policies and the methods of computation and the key sources of estimation are the same as those that applied to the consolidated financial statements for the year ended 31 December 2020. However, in view of the current uncertainties, including COVID-19 related uncertainties, any change in these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is still evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Sensitivity analysis disclosures (note 15)
- Financial instruments risk management and policies (note 25)
- Capital management (note 26)

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Determining the lease term of contracts with renewal and termination options – Group as a lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group has several lease contracts that include extension and terminations options. The options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercise significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

2. BASIS OF PREPARATION (continued)

2.5 Significant accounting judgments, estimates and assumptions (continued)

Classification of investment properties
The Group determines whether a property qualifies as an investment properties in accordance with IAS 40 Investment Property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group.

Revenue from contracts with customers
The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determining method to estimate variable consideration and assessing the constraint
Certain contracts for the sale of goods include a right of return and volume rebates that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the most likely amount method is the appropriate method to use in estimating the variable consideration for the sale of goods with volume rebate as the selected method better predicts the amount of variable consideration driven by customers' rebate entitlement based on volume thresholds and purchase made by them during the period. Since the Group sell products based on customer demands with right to return within a specific period if the goods do not meet the quality criteria, the defective products are exchanged for a functioning product and are evaluated in accordance with IAS 37 Provision, Contingent Liabilities and Contingent Assets.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty, if any, on the variable consideration will be resolved within a short time frame.

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 differences 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 consolidated 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. Information about the assumptions and estimation uncertainties is included in the following areas:

Useful lives of property and equipment / intangible assets/ investment properties
The management determines the estimated useful lives of property and equipment & intangible assets for calculating depreciation/amortisation. These estimates is determined after considering expected usage of the assets or physical wear and tear. The management reviews the residual value and useful lives annually and future depreciation/amortization charges are adjusted where management believes the useful lives differ from previous estimates.

Allowance for inventory loss
The Group recognizes an allowance for inventory losses due to factors such as obsolescence, physical damage, expiry etc. The estimation of such losses includes the consideration of factors including but not limited to introduction of new products or technology, past trends and both existing and emerging market conditions.

Provision for expected credit losses (ECLs) of trade receivables
The Group uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. The Company uses 365 days overdue as default past due (DPD) based on historical assumption. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

2. BASIS OF PREPARATION (continued)

2.5 Significant accounting judgments, estimates and assumptions (continued)

Estimates and assumptions (continued)

Provision for expected credit losses (ECLs) of trade receivables (continued)
The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future.

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, are disclosed and further explained in note 6 & 7.

Defined benefit plan
The cost of the defined benefit plan and the present value of the obligation is determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employee turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yield on high quality Corporate/Government bonds. The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country. Further details about employee benefits obligations are provided in note 15.

Estimating provision for returns
The Group estimates provision for returns and variable considerations to be included in the transaction price for the sale of goods with volume rebates (where applicable).

The Group updates its assessment of provision for expected returns annually and accordingly the provision is adjusted respectively. Estimates of expected returns is sensitive to changes in circumstances and the Group's past experience regarding returns and may not be representative of customers' actual returns in the future.

Revenue recognition - Estimating stand-alone selling price – Customer loyalty programme
The Group estimates the stand-alone selling price of the loyalty points awarded under the customer loyalty programme. The stand-alone selling price of the loyalty points issued is calculated by multiplying the estimated redemption rate and the monetary value assigned to the loyalty points. In estimating the redemption rate, the Group considers breakage which represents the portion of the points issued that will never be redeemed. The Group applies statistical projection methods in its estimation using customers' historical redemption patterns as the main input. The redemption rate is updated quarterly and the liability for the unredeemed points is adjusted accordingly. In estimating the value of the points issued, the Group considers the mix of products that will be available in the future in exchange for loyalty points and customers' preferences. The Group ensures that the value assigned to the loyalty points is commensurate to the stand-alone selling price of the products eligible for redemption (i.e., the value of each point is equivalent to the stand-alone selling price of any products eligible for redemption divided by number of points required). The points issued have an expiry date of one year from the date of issuance.

2. BASIS OF PREPARATION (continued)

2.5 Significant accounting judgments, estimates and assumptions (continued)

Estimates and assumptions (continued)

Determining the lease term of contracts with renewal and termination options – Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included renewal period as part of the lease term for leases of warehouses with shorter noncancelable period (i.e. 1 year). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on services if the land is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Leases – 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 (for example, when leases are not in the Group's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Fair value measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Provisions
Provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax / zakat rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount (if any) is recognised as finance cost.

Impact of COVID-19

A novel strain of coronavirus (COVID-19) was first identified at the end of December 2019, subsequently in March 2020 was declared as a pandemic by the World Health Organization (WHO). COVID-19 continues to spread throughout in nearly all regions around the world including the Kingdom of Saudi Arabia and resulted in travel restrictions and curfew in the cities which resulted in a slowdown of economic activities and shutdowns of many sectors at global and local levels

2. BASIS OF PREPARATION (continued)

2.5 Significant accounting judgments, estimates and assumptions (continued)

Estimates and assumptions (continued)

Impact of COVID-19 (continued)

The extent to which coronavirus pandemic impacts the Group's business, operations, and financial results, is certain but the amount is not specified and depends on many factors and future developments, that the Group may not be able to estimate reliably during the current period. These factors include the virus transmission rate, the duration of the outbreak, precautionary actions that may be taken by governmental authorities to reduce the spread of the epidemic and the impact of those actions on economic activity, the impact to the businesses of the Group's customers and other factors.Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Group's management carried out an impact assessment on the overall Group's operations, estimated its liquidity requirements and business aspects including factors like travel and movement restrictions, Holy pilgrimage offering restrictions, restrictions on social and cultural activities etc. The Group cannot assure its assumptions used in the above estimates will be correct due to such uncertain situation. In addition, the magnitude, duration and speed of the global pandemic is uncertain. Therefore, the management has taken several steps to mitigate the effects of the pandemic, including costs reduction measures. Further, the Group's management also evaluated the cash flow situation, continuation of existing leasing contracts and the readiness of operational processes when the situation improves. However, in the view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, the Group's management will continue to assess the impact based on prospective developments.

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are experiencing issues due to identification of multiple new variants of this infection, despite having previously controlled the outbreak through aggressive precautionary measures. The Government of the Kingdom of Saudi Arabia, however, managed to successfully control the outbreak to date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Group consistently in preparing its consolidated financial statements except for the new and amended standards and interpretations as disclosed in note 4.

3.1 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/ non-current classification.

Assets
An asset is classified as current when:
- It is expected to be realized or intended to sell or consumed in normal operating cycle; or
- It is held primarily for the purpose of trading; or
- It is expected to be realized within twelve months after the reporting period; or
- It is 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.

Liabilities
A liability is current when:
- It is expected to be settled in normal operating cycle; or
- It is held primarily for the purpose of trading; or
- 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.

All other liabilities are classified as non-current.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests

in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 "Financial Instruments", is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3.3 Foreign currencies

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange ruling at the reporting date. All differences arising on settlement or translation of monetary items are taken to the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency, if any, are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of a gain or loss on change in fair value of the item.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Foreign currencies (continued)

Foreign operations

The assets and liabilities of foreign operations are translated to Saudi Riyals at exchange rates at the reporting date. Dividends received from foreign subsidiaries (if any), are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the consolidated statement of other comprehensive income.

When a foreign operation is disposed of, the relevant amount in the translation reserve is transferred to the consolidated statement of profit or loss as part of the profit or loss on disposal. On the partial disposal (without loss of control) of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in the foreign currency translation reserve via other comprehensive income.

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 principal or the most advantageous market must be accessible by the Group.

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 best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 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 amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation 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 amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets under development consists of costs incurred in relation to development of software which will be eventually transferred to intangible assets.

Intangible assets with indefinite useful lives (goodwill) are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

Intangible assets represent computer software and acquisition of pharmacies which have finite useful lives. The estimated rates of amortization of intangible assets are as follows:

Software	4 years
Acquisitions of pharmacies	4 years

3.5 Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as items (major components) of property and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within other income in the statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Property and equipment (continued)

Recognition and measurement (continued)

Capital work in progress
Capital work-in-progress ("CWIP") represents all costs relating directly to the ongoing projects in progress and is capitalized as property and equipment, when the project is completed. CWIP is carried at cost, less any recognized impairment loss.

Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation of these assets, on the same basis as other same class of assets, commences when the assets are available for their intended use.

Subsequent costs
The cost of replacing a part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in the consolidated statement of profit or loss as incurred.

Depreciation
Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of each item of property and equipment. Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively if required.

For impairment assessment of property and equipment, please refer note 6. Estimated useful lives of property and equipment are as follows:

	Years
• Buildings	10 - 25
• Leasehold improvement	4-8
• Furniture, fixture, office equipment & tools	4
• Machinery and equipment	4
• Vehicles	4
• Computers	4

Derecognition
An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in consolidated statement of profit or loss and other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Investment properties

Investment properties is property held either to earn rental income or for capital appreciation or for both, as well as those held for undetermined future use but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost less accumulated depreciation and impairment loss, if any. Investment properties are depreciated on a straight-line basis over the estimated useful life of the respective assets.

Investment properties are derecognized either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the separate statement of profit or loss in the period of derecognition.

Transfers are made from investment properties to property and equipment only when there is a change in use evidenced by commencement of development with a view to sell. Such transfers are made at the carrying value of the property at the date of transfer.

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

3.7 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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 depreciation and impairment losses, and adjusted for any remeasurement 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.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

- Lands 5 to 20 years
- Pharmacy stores 5 to 10 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

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 the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Leases (continued)

Lease liabilities(continued)
In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because 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 remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The unwinding component of finance cost is included in the consolidated statement of profit or loss.

The lease liabilities are presented as a separate line in the consolidated statement of financial position.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (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 to be 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.

3.8 Financial instruments

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

i) Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables, the Group initially measures a financial asset at its fair value and in the case of a financial asset not carried at fair value through profit or loss, fair value plus transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price and for other trade receivables, that contain a significant financing component, the Group adjusts the transaction price in respect to the significant financing component.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Financial instruments (continued)

i) Financial assets (continued)

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in following categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in consolidated statement of profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes cash and cash equivalents, trade receivables, employee loans and other financial assets.

Financial assets at fair value through OCI (debt instruments)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of comprehensive income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to consolidated statement of profit or loss.

Currently, the Group does not have any debt instruments designated at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Financial instruments (continued)

i) 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 derecognised (i.e., removed from the Group's consolidated 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 recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises 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.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade payables, due to related parties and lease liabilities.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:
- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Financial instruments (continued)

ii) Financial liabilities (continued)

Subsequent measurement (continued)
Financial liabilities at amortised cost (loans and borrowings)
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.
Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition
A financial liability is derecognised 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 recognised in the consolidated statement of profit or loss.

iii) Offsetting of financial instruments

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

Impairment of financial and non-financial assets

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.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, 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 Group considers a financial asset in default when contractual payments are past due depending upon the contracted credit period. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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 asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Group's of assets. When the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Financial instruments (continued)

iii) Offsetting of financial instruments (continued)

Impairment of financial and non-financial assets (continued)

Non-financial assets (continued)
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax and income 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. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses are recognised in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised 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 recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or Group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

3.9 Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is principally based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.
Net realizable value represents the estimated selling price for inventories less the costs necessary to make the sale. Any impairment loss arising as a result of bringing the inventories at their net realizable value is recognized in the consolidated statement of profit or loss.

3.10 Cash and cash equivalents

Cash and cash equivalents balances comprise of cash in hand, cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

3.11 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. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Pension and other post-employment benefits

Short-term employee benefits
Short-term employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment benefits
The Group's obligation under employee end of service benefit is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in OCI. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in employee costs in the statement of profit or loss (refer to note 15).

3.13 Zakat

The Group (entities registered in Kingdom of Saudi Arabia only) is subject to the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. Zakat is provided for in accordance with the Regulations of the Zakat, Tax and Customs Authority (ZATCA) in the Kingdom of Saudi Arabia and on accruals basis. The zakat charge is computed on the zakat base of the individual companies in the Group and is charged to consolidated statement of profit or loss and other comprehensive income. Any shortfall / excess on finalization of an assessment are accounted for in the year in which assessment is finalized.

Withholding tax
The Group withholds taxes on transactions with non-resident parties in accordance with ZATCA regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

3.14 Value Added Tax ("VAT")

Revenues, expenses and assets are recognized net of the amount of Value Added Tax ("VAT") except:

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

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

3.15 Revenue from contracts with customers

The Group is engaged in the business of wholesale and retail trading of cosmetics, pharmaceutical products, special and healthy foods and medical equipment. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to the customer. The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in note 2.5.

The Group's recognition of revenue from each source of revenue is as follows:

Sale of goods
The Group's contracts with customers for the sale of medicines and pharmaceutical products generally include two performance obligations. The Group has concluded that revenue from sale of medicines and pharmaceutical products should be recognized at the point in time when control of the asset is transferred to the customer, generally on delivery.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Revenue from contracts with customers (continued)

Rights of return
Certain contracts provide a customer with a right to return the goods within a specified period, if the goods do not meet the quality criteria. Contracts in which a customer may return a defective product in exchange for a functioning product are evaluated in accordance with the IAS 37.

Loyalty points programme
The Group has a loyalty points programme, customer loyalty points, which allows customers to accumulate points that can be redeemed for free products. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer.

A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of products by the customer.

When estimating the stand-alone selling price of the customer loyalty points, the Group considers the likelihood that the customer will redeem the points. The Group updates its estimates of the points that will be redeemed on a quarterly basis and any adjustments to the contract liability balance are charged against revenue.

The disclosures of significant estimates and assumptions relating to the estimation of the stand-alone selling price of the loyalty points are provided in Note 3.

Revenue from loyalty points for registered customers in the loyalty program included separate performance obligation.

Revenue is allocated between the loyalty program and the other components of the sale using independent selling price. It is recognized as revenue when the Group has fulfilled its obligations to supply the discounted products or free goods under the terms of the program or when it is no longer probable that the points under the program will be redeemed.

Variable consideration
If the consideration in a contract includes a variable amount, the Group 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 volume rebates giving rise to variable consideration.

- ***Volume rebates***

The Group provides volume rebates to certain customers (insurance companies) once their purchase during the period exceeds a threshold specified in the contract. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method as the selected method better predicts the amount of variable consideration driven by customers' rebate entitlement based on volume thresholds and purchase made by them during the period. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected rebates.

Other Income
Other income that are incidental to the Group's business model are recognized as income as they are earned or accrued. This represents profit from sale of scrapped inventory and other miscellaneous income.

Rental Income
Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred or incentive in negotiating and arranging an operating lease is considered an integral part of the carrying amount of the leased contract and recognized on a straight-line basis over the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Expenses

Cost of revenue
Cost of revenue represents all expenses directly attributable or incidental to the core operating activities of the Group.

Selling and distribution expenses
These include any costs incurred to carry out or facilitate selling activities of the Group. These costs typically include salaries of the sales staff, marketing, distribution and logistics expenses.

General and administrative expenses
These are operational expenses which are not directly related to the sale of goods. These also include allocations of general overheads which are not specifically attributed to cost of revenue.

Allocation of overheads between cost of revenue, selling and distribution and general and administrative expenses, where required, is made on a consistent basis.

3.17 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Group (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

3.18 Cash dividend and non-cash distribution to partners of the Group

The Group recognises a liability to pay a dividend when the distribution is authorised and no longer at the discretion of the Group. As per the by-laws of the Company, a distribution is authorised when it is approved by the partners. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss.

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4.1 Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest

- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

4.2 Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases
The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

5.1 IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

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

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of 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 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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

5.3 Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

5.3 Reference to the Conceptual Framework – Amendments to IFRS 3 (continued)

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

5.4 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

5.5 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

5.5 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

5.6 IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

5.7 FRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

5.8 IAS 41 Agriculture – Taxation in fair value measurements

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

The amendments is not applicable to the Group.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

5.9 Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

5.10 Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

6. PROPERTY AND EQUIPMENT

	Lands SR	*Buildings* SR	*Leasehold improvement* SR	*Furniture, fixture, office equipment and tools* SR	*Machinery and equipment* SR	*Vehicles* SR	*Computers* SR	*Capital work in progress* SR	***Total*** ***SR***
Cost:									
At beginning of the year	126,241,985	46,413,462	867,965,003	51,421,761	159,354,272	1,303,681	126,065,524	186,111,300	**1,564,876,988**
Additions	-	63,303	123,913,933	7,486,533	22,795,317	-	7,093,726	121,221,502	**282,574,314**
Disposals	-	(2,056,073)	(30,162,601)	(2,492,753)	(5,161,731)	-	(18,222)	-	**(39,891,380)**
Transfer from capital work in progress	-	-	18,927,520	-	-	-	-	(18,927,520)	-
Transfer to Intangible assets (note 8)	-	-	-	-	-	-	-	(3,273,874)	**(3,273,874)**
Transfer to Investment properties (note 7)	(51,812,050)	-	-	-	-	-	-	-	**(51,812,050)**
Write-offs	-	-	(6,559,811)	-	-	-	-	-	**(6,559,811)**
At end of the year	74,429,935	44,420,692	974,084,044	56,415,541	176,987,858	1,303,681	133,141,028	285,131,408	**1,745,914,187**
Accumulated depreciation and impairment:									
At beginning of the year	22,868,985	14,469,067	472,536,607	33,381,652	106,379,252	1,032,168	101,911,092	-	**752,578,823**
Depreciation charge for the year	-	2,630,804	120,565,181	7,709,417	20,371,803	112,128	9,462,322	-	**160,851,655**
Reversal of impairment related to transfer to Investment properties (note 7)	(6,696,050)	-	-	-	-	-	-	-	**(6,696,050)**
Impairment reversal for the year	(13,523,000)	-	-	-	-	-	-	-	**(13,523,000)**
Disposals	-	-	(23,569,504)	(2,320,697)	(4,990,688)	-	(2,055,997)	-	**(32,936,886)**
At end of the year	2,649,935	17,099,871	569,532,284	38,770,372	121,760,367	1,144,296	109,317,417	-	**860,274,542**
Net book value:									
At 31 December 2021	**71,780,000**	**27,320,821**	**404,551,760**	**17,645,169**	**55,227,491**	**159,385**	**23,823,611**	**285,131,408**	**885,639,645**

6. PROPERTY AND EQUIPMENT (continued)

	Lands *SR*	*Buildings* *SR*	*Leasehold improvement* *SR*	*Furniture, fixture, office equipment and tools* *SR*	*Machinery and equipment* *SR*	*Vehicles* *SR*	*Computers* *SR*	*Capital work in progress* *SR*	*Total* *SR*
Cost:									
At beginning of the year	126,241,985	43,053,661	771,207,904	41,106,881	123,733,552	1,782,356	125,351,975	93,468,204	1,325,946,518
Additions	-	10,317,508	105,115,032	11,036,665	41,342,109	147,200	8,401,923	119,487,996	295,848,433
Acquisition of a subsidiary	-	-	58,735	-	29,419	-	58,200	-	146,354
Transfer from capital work in progress	-	-	26,844,900	-	-	-	-	(26,844,900)	-
Disposals	-	(6,957,707)	(8,038,741)	-	(5,750,808)	(625,875)	(7,746,574)	-	(29,119,705)
Write-offs	-	-	(27,222,827)	(721,785)	-	-	-	-	(27,944,612)
At end of the year	126,241,985	46,413,462	867,965,003	51,421,761	159,354,272	1,303,681	126,065,524	186,111,300	1,564,876,988
Accumulated depreciation and impairment:									
At beginning of the year	14,269,835	17,347,624	395,940,086	27,349,660	89,240,121	1,488,250	102,082,697	-	647,718,273
Depreciation charge for the year	-	2,304,572	101,509,604	6,395,361	22,683,409	169,792	7,567,389	-	140,630,127
Disposals	-	(5,183,129)	(5,039,989)	-	(5,544,278)	(625,874)	(7,738,994)	-	(24,132,264)
Write-offs	-	-	(19,873,094)	(363,369)	-	-	-	-	(20,236,463)
Impairment loss for the year	8,599,150	-	-	-	-	-	-	-	8,599,150
At end of the year	22,868,985	14,469,067	472,536,607	33,381,652	106,379,252	1,032,168	101,911,092	-	752,578,823
Net book value:									
At 31 December 2020	103,373,000	31,944,395	395,428,396	18,040,109	52,975,020	271,513	24,154,432	186,111,300	812,298,165

6. PROPERTY AND EQUIPMENT (continued)

a) The fair value of the Group's parcels of land as at 31 December 2021(2 parcels of land) was valued at SR 71.8 million (31 December 2020: SR 103.4 million (3 parcels of land) by Abdullah Al Kathiri Real Estate Evaluation Office (2020: Abdullah Al Kathiri Real Estate Evaluation Office not connected with the Group. The firm is licensed by Taqeem (Saudi Authority for Accredited Valuers) and they have appropriate qualifications and relevant experience in the fair value measurement of properties in the relevant locations.

The fair value of the lands has been determined based on income method (RLV), a valuation model in accordance with that recommended by the Saudi Authority for Accredited Valuers was applied. Under this method, the value of land is arrived by calculating the development cost including the profit and subtracting the build cost, construction cost and other components of cost.

Based on the difference between the carrying value and the fair value of the land as at 31 December 2021, a reversal of impairment loss amounting to SR 13.5 million was recorded in the Group's annual consolidated financial statements for the year ended 31 December 2021. Even though the valuation was carried out near to the year end, there is no material change in circumstances between the year end and the reporting date that would require adjustment or revaluation at the reporting date. Management is consistently evaluating the methods and assumptions used in valuating the Group's land.

b) Capital work in progress mainly relates to the expenditure incurred for the construction of the warehouse distribution centre which is expected to be capitalized in the following year.

c) The depreciation charge for the year has been allocated as follows:

	31 December 2021 SR	*31 December 2020 SR*
Selling and distribution expenses (note 21)	**139,889,024**	117,918,342
General and administrative expenses (note 22)	**15,929,428**	16,760,050
Cost of revenue (note19)	**5,033,203**	5,951,735
	160,851,655	140,630,127

d) The title deeds for the parcels of lands are in the name of the Company.

7. INVESTMENT PROPERTIES

	Lands *SR*
Cost:	
At beginning of the year	**194,894,184**
Transfer from property and equipment	**51,812,050**
Total	**246,706,234**
Accumulated impairment loss:	
At beginning of the year	**15,894,184**
Impairment charge for the year	**-**
Reversal of impairment loss for the year	**(5,969,000)**
Transfer of impairment loss from property and equipment	**6,696,050**
At end of the year	**16,621,234**
Net book value at 31 December 2021	**230,085,000**
Cost:	
At beginning and end of the year	194,894,184
Accumulated impairment loss:	
At beginning of the year	1,894,184
Impairment charge for the year	14,000,000
At end of the year	15,894,184
Net book value at 31 December 2020	179,000,000

The Group's investment properties mainly represents the parcels of land in KSA which are currently held for undetermined future use. During the year, the Group has transferred one parcel of land from property and equipment to investment properties at cost less accumulated impairment loss. The fair value of the Group's investment properties as at 31 December 2021 was valued at SR 230 million (31 December 2020: SR 179 million).

The fair value of the Group's investment properties, as at 31 December 2021 has been arrived on the basis of the valuation exercise carried out by Abdullah Al Kathiri Real Estate Evaluation Office (2020: Abdullah Al Kathiri Real Estate Evaluation Office not connected with the Group. The firm is licensed by Taqeem (Saudi Authority for Accredited Valuers) and they have appropriate qualifications and relevant experience in the fair value measurement of properties in the relevant locations. A valuation model in accordance with that recommended by the Saudi Authority for Accredited Valuers was applied.

The fair value of the lands has been determined based on income method (RLV), a valuation model in accordance with that recommended by the Saudi Authority for Accredited Valuers was applied. Under this method, the value of land is arrived by calculating the development cost including the profit and subtracting the build cost, construction cost and other components of cost.

Based on the difference between the carrying value and the fair value of the investment properties as at 31 December 2021, a reversal of impairment loss amounting to SR 5.97 million and recognition of impairment loss against the transferred properties amounting to SR 6.70 million was recorded in the Group's annual consolidated financial statements for the year ended 31 December 2021. Even though the valuation was carried out near to the year end, there are no material change in circumstances between the year end and the reporting date that would require adjustment or revaluation at the reporting date. Management is consistently evaluating the methods and assumptions used in valuating the Group's land.

7. INVESTMENT PROPERTIES (continued)

The valuation has been undertaken using the capitalization of income method based on significant unobservable inputs which includes:

Capitalization rates	Reflects current market sentiment to invest in that particular property given the actual location, size and quality of the property and taking into account market data at the valuation date.
Discount rate	reflecting the inherent risk associated with the development of a real estate asset. Given the uncertainty of future (revenue and cost) projections, a discount rate is adopted to reflect the risk in achieving assumed projections.
Disposal period	reflecting the assumed period of time it would take in order to dispose of an asset.

There has been no major changes to the valuation technique during the year.

The Group uses the following hierarchy for determining and disclosing the fair values of its investment properties by valuation techniques:

	Level 1 *SR*	*Level 2* *SR*	*Level 3* *SR*	***Total*** ***SR***
31 December 2021	**-**	**230,085,000**	**-**	**230,085,000**
31 December 2020	-	179,000,000	-	179,000,000

Any significant movement in the assumptions used for fair valuation of investment properties such as discount rate, capitalization rates etc. would result in significantly lower / higher fair value of these assets.

All investment properties of the Group are currently held for undetermined future use.

8. INTANGIBLE ASSETS

	Software *SR*	*Acquisition of pharmacies* *SR*	***Total*** ***SR***
Cost:			
At beginning of the year	140,055,885	118,334,617	258,390,502
Additions	23,951,426	-	23,951,426
Acquisition of a subsidiary	74,217	-	74,217
Write offs	(83,642)	-	(83,642)
At 31 December 2020	163,997,886	118,334,617	282,332,503
Additions	23,892,329	-	23,892,329
Transfer from capital work in progress	3,273,874	-	3,273,874
Write offs	(10,858,935)	-	(10,858,935)
At 31 December 2021	**180,305,154**	**118,334,617**	**298,639,771**
Accumulated amortization:			
At beginning of the year	105,708,996	117,809,708	223,518,704
Amortization	17,008,992	524,909	17,533,901
Write offs	(83,642)	-	(83,642)
At 31 December 2020	122,634,346	118,334,617	240,968,963
Amortization charge for the year	24,202,506	-	24,202,506
Write offs	(10,737,854)	-	(10,737,854)
At 31 December 2021	**136,098,998**	**118,334,617**	**254,433,615**
Net book value:			
At 31 December 2021	**44,206,156**	**-**	**44,206,156**
At 31 December 2020	41,363,540	-	41,363,540

(a) The amortization charge for the year has been allocated as follows:

	31 December 2021 ***SR***	*31 December 2020* *SR*
Selling and distribution expenses (note 21)	**7,535,262**	4,188,444
General and administrative expenses (note 22)	**16,667,244**	13,345,457
	24,202,506	17,533,901

9. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group has lease contracts for various items of lands and pharmacy stores used in its operations. Lease of lands generally have lease term of 5 to 20 years while lease of pharmacy stores has lease term of 5 to 10 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Group's obligation under its leases are secured by the lessor's title to the leased assets. There are several lease contacts that include extension and termination options. The Group applies the 'short-term lease' recognition exemptions for these leases.

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

(a) Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Lands *SR*	*Pharmacy stores* *SR*	*Total* *SR*
As at 1 January 2021	70,139,901	1,136,376,624	**1,206,516,525**
Additions during the year	21,611,314	373,546,845	**395,158,159**
Modifications during the year	-	161,256,240	**161,256,240**
Termination during the year	-	(48,866,765)	**(48,866,765)**
Depreciation expense	(7,349,499)	(379,096,638)	**(386,446,137)**
As at 31 December 2021	**84,401,716**	**1,243,216,306**	**1,327,618,022**
As at 1 January 2020	51,499,641	1,274,236,389	1,325,736,030
Additions during the year	24,912,852	269,485,950	294,398,802
Acquisition during the year	-	1,643,737	1,643,737
Termination during the year	-	(55,928,446)	(55,928,446)
Depreciation expense	(6,272,592)	(353,061,006)	(359,333,598)
As at 31 December 2020	70,139,901	1,136,376,624	1,206,516,525

(b) Set out below are the carrying amounts of lease liabilities and the movements during the year:

	31 December 2021 SR	*31 December 2020 SR*
As at 1 January	**1,235,078,508**	1,237,474,327
Additions during the year	**394,275,103**	294,398,800
Impact of lease termination	**(50,368,138)**	(34,469,589)
Obligation on acquisition of subsidiary	**-**	2,008,257
Modifications during the year	**161,256,240**	-
Accretion of interest during the year	**47,633,667**	47,192,649
Payments during the year	**(428,818,190)**	(311,525,936)
As at 31 December	**1,359,057,190**	1,235,078,508
Current	**367,415,040**	406,125,567
Non-current	**991,642,150**	828,952,941

The maturity analysis of lease liabilities is disclosed in note 25.

9. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

(c) The following are the amounts recognised in the consolidated statement of profit or loss:

	31 December 2021 SR	*31 December 2020 SR*
Depreciation expense of right-of-use assets (note 21 & 22)	**382,858,143**	349,013,626
Interest expense on lease liabilities	**47,633,667**	47,192,649
Total amount recognised in consolidated statement of profit or loss	**430,491,810**	396,206,275

10. INVENTORIES

	31 December 2021 SR	*31 December 2020 SR*
Inventories	**1,241,251,497**	1,344,091,635
Less: Provision for slow moving and obsolete inventories	**(124,769,595)**	(195,170,998)
	1,116,481,902	1,148,920,637

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

	31 December 2021 SR	*31 December 2020 SR*
At the beginning of the year	**195,170,998**	90,978,892
Charge for the year	**30,970,204**	142,329,000
Written off during the year	**(16,988,826)**	(38,136,894)
Reversal during the year (note a)	**(84,382,781)**	-
At the end of the year	**124,769,595**	195,170,998

(a) This relates primarily to the reversal of provision recognised in respect of COVID related inventory in the prior year which were consumed during the year.

11. TRADE RECEIVABLES

	31 December 2021 SR	*31 December 2020 SR*
Trade receivables	**146,997,993**	108,120,130
Less: Allowance for expected credit losses (see note below)	**(6,714,875)**	(9,620,955)
	140,283,118	98,499,175

Movement in the allowance for expected credit losses of receivables is as follows:

	31 December 2021 SR	*31 December 2020 SR*
At the beginning of the year	**9,620,955**	28,438,322
Charge for the year	**5,868,027**	-
Reversals during the year	**-**	(18,000,000)
Written off during the year	**(8,774,107)**	(817,367)
At the end of the year	**6,714,875**	9,620,955

Trade receivables are non-interest bearing and are generally settled on terms of 60 days.

12. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2021 SR	*31 December 2020 SR*
Prepayments	**48,345,156**	39,578,951
Employees' loans	**45,331,048**	36,301,350
Advance payments to suppliers	**28,993,579**	71,439,084
Margin on letter of credits	**2,708,720**	15,634,683
Value added tax	**1,243,894**	2,501,898
Other current assets	**14,943,885**	5,375,805
	141,566,282	170,831,771

13. CASH AND CASH EQUIVALENTS

	31 December 2021 SR	*31 December 2020 SR*
Cash at banks – current accounts	**339,430,212**	947,351,082
Cash on hand	**61,614,235**	61,178,581
	401,044,447	1,008,529,663

14. CAPITAL AND STATUTORY RESERVE

(a) Capital

The Group's capital is divided into 130,000,000 shares (31 December 2020: 1,000,000 shares) with a nominal value of SR 10 each (31 December 2020: SR 1,000 each) and held by the following partners:

Name of the partners	***No. of shares***	***PAR value SR***	***31 December 2021 SR***
Saudi Economic and Development Holding Group (SEDCO)	**65,000,000**	**10**	**650,000,000**
Al Nahdi Holding Company	**65,000,000**	**10**	**650,000,000**
Total	**130,000,000**		**1,300,000,000**

Name of the partners	*No. of shares*	*PAR value SR*	*31 December 2020 SR*
Saudi Economic and Development Holding Group (SEDCO)	500,000	1,000	500,000,000
Al Nahdi Holding Company	500,000	1,000	500,000,000
Total	1,000,000		1,000,000,000

On 12 September 2021 (corresponding to 5 Safar 1443H), partners of the Parent Company resolved to increase the Company’s capital from SR 1,000,000,000 to SR 1,300,000,000 by transfer of SR 300,000,000 from retained earnings account to capital account in the existing shareholding proportion resulting in the decrease in PAR value of the shares to SR 10 (31 December 2020: SR 1,000). As a result, there were no changes in the percentage of shareholding of the partners. The legal formalities were completed on 11 October 2021 (corresponding to 5 Rabi’ I 1443H).

(b) Statutory reserve

In accordance with the Companies law and Parent Companies’ by-laws, the Group must set aside 10% of its annual net income as the statutory reserve until it reaches 30% of the capital. The reserve is not available for distribution.

(c) Dividends

The partners in their meetings held on 27 April 2021, 12 September 2021 and 27 September 2021 resolved to distribute dividends of SR 460 million, SR 600 million, and SR 200 million, respectively (31 December 2020: SR 535 million).

15. EMPLOYEE BENEFIT LIABILITIES

The Group operates an approved unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the Saudi Arabian Labor Law. The following table represents the movement of the defined benefits obligation:

	31 December 2021 SR	*31 December 2020 SR*
Defined benefits obligation at beginning of the year	**329,487,592**	168,829,324
Current service cost	**53,390,239**	44,039,885
Interest cost on defined benefits obligation	**7,062,738**	13,339,923
Actuarial loss on the obligation	**28,505,874**	19,576,276
Transferred in from agents	**-**	70,150,460
Transferred out	**(531,361)**	-
Addition on acquisition of subsidiary	**-**	48,351,986
Payments made during the year	**(31,183,039)**	(34,800,262)
Defined benefit obligations at the end of the year	**386,732,043**	329,487,592

15.1 Actuarial assumptions

	31 December 2021	*31 December 2020*
Discount rate	**2.85%**	2.25%
Future salary growth/expected rate of salary increase	**3.75%**	4.00%
Mortality rate	**0.25%**	0.25%
Retirement age	**60 years**	60 years

The quantitative sensitivity analysis for principal assumptions is as follows:

	31 December 2021 SR	*31 December 2020 SR*
Discount rate:		
+1.00% increase	**(35,637,852)**	(30,406,991)
-1.00% decrease	**42,136,560**	34,605,279
Salary increase rate:		
+1.00% increase	**42,333,532**	35,754,560
-1.00% decrease	**(36,518,755)**	(31,930,035)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation 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 defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

15. EMPLOYEE BENEFIT LIABILITIES (continued)

The weighted average duration of the defined benefit obligation is 10.06 years (31 December 2020: 9.76 years)

The following is the breakup of the actuarial loss:

	31 December 2021 SR	*31 December 2020 SR*
Financial assumptions	**21,376,312**	24,295,398
Experience adjustment	**7,102,770**	(5,386,451)
Demographic adjustment	**26,792**	667,329
	28,505,874	19,576,276

The following payments are expected to the defined benefit plan in future years:	***31 December 2021 SR***	*31 December 2020 SR*
Within the next 12 months (next annual reporting period)	**29,215,783**	26,982,400
Between 2 and 5 years	**91,760,954**	88,343,360
Between 6 and 10 years	**119,513,853**	94,921,208
Year 11 & above	**253,701,959**	210,999,889
Total expected payments	**494,192,549**	421,246,857

16. TRADE PAYABLES

	31 December 2021 SR	*31 December 2020 SR*
Trade payables (note a)	**483,995,057**	440,257,401

(a) Trade payables are non-interest bearing and are normally settled on 30-150 days term.

17. ACCRUALS AND OTHER LIABILITIES

	31 December 2021 SR	*31 December 2020 SR*
Non- current		
Staff accruals (note a)	**19,094,000**	14,380,998
Current		
Staff accruals (note a)	**165,051,410**	206,774,476
Due to operating pharmacies – agents	**22,613,104**	37,425,303
Accrued expenses	**20,434,100**	22,220,730
Deferred revenue	**18,179,794**	37,505,063
Value added tax (VAT) payable	**5,234,163**	6,221,534
Other liabilities (note b)	**106,064,464**	135,593,900
	337,577,035	445,741,006

(a) This includes incentives for the executive employees as part of long term retention plan with the Group.

(b) This primarily includes the provision for closure of pharmacies, marketing accruals and consultancy services accruals.

18. ZAKAT

The movement in the zakat provision during the year is as follows:

	31 December 2021 SR	*31 December 2020 SR*
At the beginning of the year	**98,053,920**	78,440,176
Acquisition of subsidiary	**-**	2,928,441
Transfer from agents	**-**	2,298,555
Provision for the current year	**44,738,103**	45,330,000
Payment during the year	**(45,918,275)**	(30,943,252)
At the end of the year	**96,873,748**	98,053,920

Status of assessments

Al Nahdi Medical Company

Zakat assessments have been agreed with the Zakat, Tax and Customs Authority ("ZATCA") up to 2014. The zakat returns for the years from 2015 to 2020 are currently under review by the ZATCA.

For the year ended 31 December 2015

Zakat assessment was received for the year above amounting to SR 6,017,417 and the Group has submitted an objection to ZATCA during the statutory period which is currently under review by the ZATCA. Management has provided for a provision in this regard.

For the years ended 31 December 2016 to 2019

The Group received zakat assessments for these years amounting to SR 7,617,444 and the Group is in the process of submitting an objection to ZATCA within the statutory period. Management has provided for a provision in this regard.

For the year ended 31 December 2020

The Group submitted zakat return for the year and no zakat assessment was received. The Group received a valid zakat certificate until 30 April 2022.

For the year ended 31 December 2021

The zakat status remains as mentioned above and has not changed in the year ended 31 December 2021.

18. ZAKAT (continued)

Subsidiaries

Sakhaa Golden Company
Zakat assessments have been agreed with the Zakat, Tax and Customs Authority (“ZATCA”) up to 2019.

For the year ended 31 December 2020
The Company submitted zakat return for the year and no zakat assessment was received. The Company received a valid zakat certificate until 30 April 2022.

For the year ended 31 December 2021
The zakat status remains as mentioned above and has not changed in the year ended 31 December 2021.

Al Nahdi Care

For the years ended 31 December 2019 to 2020
The Company submitted zakat return for the years and no zakat assessment was received. The Company received a valid zakat certificate until 30 April 2022.

For the year ended 31 December 2021
The zakat status remains as mentioned above and has not changed in the year ended 31 December 2021.

19. COST OF REVENUE

	31 December 2021 SR	*31 December 2020 SR*
Cost of goods sold	**4,732,732,917**	5,110,740,083
Employee costs	**31,097,512**	18,733,697
Depreciation of property and equipment (note 6)	**5,033,203**	5,951,735
Provision for slow moving inventory, net (note 10)	**(53,412,577)**	142,329,000
Inventory write off	**30,580,562**	-
Cost of operated pharmacies	**750,000**	87,351,136
Other expenses	**14,752,647**	27,429,703
	4,761,534,264	5,392,535,354

20. OTHER OPERATING INCOME, NET

	31 December 2021 SR	*31 December 2020 SR*
Recovery of operating pharmacy costs/ reversal of accrued expenses	**27,707,000**	14,544,000
Impairment reversal/(charge) of property and equipment (note 6)	**13,523,000**	(8,599,150)
Rental income	**2,378,765**	1,464,109
Scrap sale of inventory	**1,683,132**	1,642,908
Gain from disposal of property and equipment	**106,275**	1,126,248
Other	**26,287,427**	5,433,191
	71,685,599	15,611,306

21. SELLING AND DISTRIBUTION EXPENSES

	31 December 2021 SR	*31 December 2020 SR*
Employee costs	**1,239,057,376**	1,117,410,042
Depreciation of right-of-use assets (note 9)	**375,972,691**	350,832,350
Depreciation (note 6)	**139,889,024**	117,918,342
Amortization (note 8)	**7,535,262**	4,188,444
Attestation of governmental expenses	**76,852,816**	65,164,479
Utilities	**60,105,481**	47,787,240
Advertising and promotion	**54,534,358**	75,687,422
Repair and maintenance	**28,423,785**	28,914,614
Loading and packing expenses	**16,837,411**	29,450,398
Communications	**6,043,497**	5,846,557
Business events	**5,004,162**	3,003,817
Others	**139,148,931**	141,349,560
	2,149,404,794	1,987,553,265

22. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2021 SR	*31 December 2020 SR*
Employee costs	**165,568,814**	170,455,494
Depreciation (note 6)	**15,929,428**	17,388,879
Amortization (note 8)	**16,667,244**	13,345,457
Repair and maintenance	**30,880,259**	26,392,124
Depreciation of right-of-use assets (note 9)	**9,610,177**	8,501,248
Legal and professional	**10,956,081**	16,474,442
Attestation and government expenses	**6,737,430**	6,304,420
Board of directors' remunerations	**4,216,820**	34,900,016
Communications	**3,467,206**	3,765,979
Others	**43,359,554**	39,503,967
	307,393,013	337,032,026

23. OTHER INCOME, NET

	31 December 2021 SR	*31 December 2020 SR*
Income from deposits	**2,962,022**	5,445,605
Other	**7,648,369**	1,802,138
	10,610,391	7,247,743

24. EARNINGS PER SHARE

The earnings per share calculation is given below:

	31 December 2021	*31 December 2020 (restated)*
	SR	*SR*
Net profit for the year	**812,528,628**	849,115,819
Weighted average number of ordinary shares	**130,000,000**	130,000,000
Earnings per share – basic and diluted	**6.25**	6.54

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

25. FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Group's principal financial liabilities includes trade payables, due to related parties 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 receivables, employee loans, cash and cash equivalents and other receivables.

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risks, currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby consistently seeking to minimize potential adverse effects on the Group's financial performance.

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk.

Interest rate risk
Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Group is subject to interest rate risk on its interest bearing assets. The management manages the Group's interest rate risks by monitoring changes in interest rates in the currencies in which its interest bearing assets are denominated (if any).

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

Credit risk
Customer credit risk is managed subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any sales to major customers are generally covered by letters of promissory notes. At 31 December 2021, the Group had two customers (31 December 2020: two customers) which accounted for approximately 72% (31 December 2020: 73%) of all trade receivable balances.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Additionally, minor receivables are grouped into homogenous Group and analysed for impairment collectively. The maximum amount of exposure is the carrying amount of the receivable disclosed in note 11. Promissory notes and other forms of security, if any, are considered integral part of trade receivables and considered in the calculation of impairment.

25. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Credit risk (continued)

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's executive management on a regular basis and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments.

On that basis, the expected credit loss as at 31 December 2021 was determined as follows:

Receivable from customers

Ageing	*2021*			*2020*		
	Gross carrying amount SR	***Expected credit loss range %***	***Loss allowance SR***	*Gross carrying amount SR*	*Expected credit loss range %*	*Loss allowance SR*
Current (Not due)	**19,930,385**	**1%**	**76,303**	27,481,723		-
0-90 Days Overdue	**77,468,238**	**35%**	**2,310,823**	67,174,605	4%	392,848
91-180 Days Overdue	**33,146,661**	**42%**	**2,839,321**	11,626,157	78%	7,492,963
181-360 Days Overdue	**15,618,210**	**17%**	**1,167,899**	1,151,355	11%	1,050,052
Over 360 Days Overdue	**834,499**	**5%**	**320,529**	686,290	7%	685,092
	146,997,993		**6,714,875**	108,120,130		9,620,955

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by the treasury department by monitoring the maturity profile of the Group's financial instruments to ensure that adequate liquidity is maintained or made available, as necessary to the Group. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowings or reliance on a particular market in which to realize liquid assets. The following is the contractual undiscounted maturity analysis of the financial liabilities of the Group. The Group does not hold financial assets for managing liquidity risk. Hence, these risks have not been considered for maturity analysis.

The following is the contractual undiscounted maturity analysis of the financial liabilities of the Group. The Group does not hold financial assets for managing liquidity risk. Hence, these risks have not been considered for maturity analysis. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

31 December 2021	***Within 1 year SR***	***1 to 5 years SR***	***After 5 years SR***	***Total SR***
Trade payables	483,995,057	-	-	**483,995,057**
Due to related parties	-	-	-	-
Lease liabilities	46,034,935	437,693,448	1,690,375,381	**2,174,103,764**
	530,029,992	**437,693,448**	**1,690,375,381**	**2,658,098,821**

25. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Liquidity risk (continued)

31 December 2020	*Within 1 year* *SR*	*1 to 5 years* *SR*	*After 5 years* *SR*	*Total* *SR*
Trade payables	442,672,772	-	-	442,672,772
Due to related parties	24,179,176	-	-	24,179,176
Lease liabilities	25,032,850	326,140,356	499,788,397	850.961,603
	491,884,798	326,140,356	499,788,397	1,317,813,551

26. CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital, statutory reserve and retained earnings attributable to the equity holder of the Group. The primary objective of the Group's capital management is to maximize the Partners' value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to partners, return capital to partners or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus debt. The Group is currently not exposed to any gearing risk as it has not obtained any borrowings.

27. 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 principal or the most advantageous market must be accessible by the Group.

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. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- 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.

27. FAIR VALUE MEASUREMENT (continued)

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers among the levels during the period.

The management assessed that the fair value of cash and cash equivalents, trade and other receivables, trade payables and lease liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

28. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the partners, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Following is the list of related party transactions and balances of the Group:

Related party	***Relationship***	***Nature of transaction***	***Transactions***	
			For the Year ended	
			31 December 2021 SR	*31 December 2020 SR*
Tawjeeh Group for Services and Commercial Investments Group	Shareholder's related party	Purchase of share in subsidiary	-	8,897,730
Al Nahdi Holding Co.	Shareholder	Purchase of share in subsidiary	-	8,897,730
Khota Al Khair for Commercial Services Group Limited	Affiliate	Services	-	6,383,716

The following is the detail of related party balances payable at the year end:

	31 December 2021 SR	*31 December 2020 SR*
Amount due to related parties		
Khota Al Khair for Commercial Services Group Limited	-	6,383,716
Al Nahdi Holding Co.	-	8,897,730
Tawjeeh Group for Services and Commercial Investments Group	-	8,897,730
	-	24,179,176

Key management compensation

Compensation for key management is as follows:

	31 December 2021 SR	*31 December 2020 SR*
Salaries and other benefits*	**3,199,827**	34,200,008
Post-employment benefits	**7,023,243**	24,375,000
	10,223,070	58,575,008

28. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

*The board of directors of the Group resolved to restrict the board of directors' remuneration as per the regulatory requirement as a result of the IPO process.

The amounts disclosed in the above table are the amounts recognised as an expense during the year related to key management personnel.

In addition to above, the Group also recognized the incentives for the executive employees as part of long term retention plan with the Group as disclosed in note 17 (a).

Outstanding balances at the year ended 31 December 2021 are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2021, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related parties and the market in which the related party operates

29. SEGMENT INFORMATION

The Group operates in the KSA and the UAE and is engaged in the sale of cosmetics, medical materials, as well as medical equipment through pharmacies and through pharmacies that are operated through agents. During the year ended 31 December 2020, the Group has transferred operating licenses for pharmacies and employees of Al-Nahdi Group based on the exit contract signed with the agents as at 25 December 2019. Hence, the entire operations of the agents were transferred to the Group in 2020. It also operates specialized medical clinics through one of its subsidiaries providing employment services. The Group's operations in the UAE are considered relatively insignificant, and accordingly, the Group does not present business sector information at the geographical level. Also, the Group's business of operating specialized medical clinics and providing of employment services is considered relatively insignificant.

The Group has two operating segments, Front Shop and Pharma. The Group's segments maintain separate financial information, and the Group's chief operating decision maker (the "CODM") evaluates the segments' revenue on a regular basis in deciding how to allocate resources among the segments and in assessing segment performance. The CODM evaluates the performance of the Group's segments based on revenue. The Group uses revenue as its principal measure of segment performance as it enhances the Group's ability to compare past financial performance with current performance and analyze underlying business performance and trends. The following table presents revenue information for the Group's operating segments for the year ended 31 December 2021 and 31 December 2020, respectively:

	Revenue SR
Consolidated Statement of Profit or Loss	
Year ended 31 December 2021	
Front Shop	**4,299,339,944**
Pharma	**3,732,740,770**
Others	**34,134,665**
Total	**8,066,215,379**
Consolidated Statement of Profit or Loss	
Year ended 31 December 2020	
Front Shop	4,797,400,416
Pharma	3,839,438,357
Others	5,368,233
Total	8,642,207,006

30. COMMITMENTS AND CONTINGENCIES

As at 31 December 2021, the Group has commitments of SR 101.15 million (31 December 2020: SR 122.1 million) relating to capital expenditures, which also includes an agreement with a consulting Group to implement the decorations of pharmacies, implement the new stores, construction of distribution centre. It also includes commitments pertains to letter of credit and letter of guarantee.

31. COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year. These changes have been made to improve the quality of information presented. Such reclassification changes do not affect previously reported profit or equity.

Reclassification in the statement of financial position for the year ended 31 December 2020 is summarised below:

	As previously reported SR	*Reclassification SR*	***As currently reported SR***
Prepayments and other current assets	174,551,926	(3,720,155)	**170,831,771**
Trade receivables	94,779,020	3,720,155	**98,499,175**
Prepayments and other non-current assets	4,634,857	(4,634,857)	**-**
Intangible assets	41,571,900	(208,360)	**41,363,540**
Inventories	1,180,965,542	(32,044,905)	**1,148,920,637**
Property and equipment	779,589,718	32,708,447	**812,298,165**
Accruals and other current liabilities	(482,004,458)	36,263,452	**(445,741,006)**
Due to related parties	-	(24,179,176)	**(24,179,176)**
Lease liabilities – current	(376,130,633)	(29,994,934)	**(406,125,567)**
Right-of-use assets	1,186,841,563	19,674,962	**1,206,516,525**

32. EVENTS AFTER THE REPORTING PERIOD

In the opinion of management, there have been no significant subsequent events since the year ended 31 December 2021, which would have a material impact on the financial position of the Group as reflected in these consolidated financial statements.

33. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised to issue by the Board of Directors on 27 March 2022G (corresponding to 24 Sha'ban 1443H).