NAHDI MEDICAL COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

NAHDI MEDICAL COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023

Building a better working world

Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
King's Road Tower, 13th Floor
King Abdul Aziz Road (Malek Road)
P.O. Box 1994
Jeddah 21441
Kingdom of Saudi Arabia
Head Office – Riyadh

C.R. No. 4030276644

Tel: +966 12 221 8400
Fax: +966 12 664 4408

ey.ksa@sa.ey.com
ey.com

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Nahdi Medical Company (A Saudi Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Nahdi Medical Company and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for Opinion

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

Key Audit Matters

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

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

Independent Auditor's Report
To the Shareholders of Nahdi Medical Company (A Saudi Joint Stock Company) (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<u>Existence and valuation of inventories</u> As at 31 December 2023, the gross value of Inventories amounted to SR **1,507** million. (2022: SR 1,325 million) and the provision for slow moving and obsolete inventories amounted SR **97.7** million (2022: SR 142 million). The Group has a perpetual inventory count system in place to conduct the stock count in stores throughout the year. The carrying value of inventory is reduced by provisions including those relating to estimated losses due to slow moving items (note 10) We considered it to be a key audit matter given that: • The Group deals with significant values of inventory items at numbers of locations with high volume of daily transactions which increases the risks associated with inventory; and • Significant judgement and assumptions applied by the management in assessing the level of provisions required as of year end which includes assessment of inventory levels in relation to revenue for the period under consideration. *Refer to note 3.9 to the consolidated financial statements for the material accounting policy, note 2.5 for the significant accounting estimates and note 10 which discloses the inventories and associated provision.*	We performed the following procedures, amongst others: • Throughout the year, we have attended a sample of inventory cycle counts in stores and in the distribution centres, to validate counts performed by the Group. • Evaluated the stock taking process and the provisioning processes and performed test of controls. When reviewing management's inventory count processes and controls, we also obtained the understanding of the process for controlling or managing stock movements during the count and evaluated its reasonableness. • Evaluated the assumptions made by management, and particularly the key assumption that current system provision levels are consistent with historical pattern, in assessing stock obsolescence provisions through an analysis of inventory items by category and age as well as the level of inventory write downs in these categories during the year. • Assessed reasonableness of the assumptions used in estimating the obsolete provision including reviewing of accuracy and completeness of the key inputs with the underlying supporting documents. We reviewed recent count results, for a sample of Group's stores, to ensure that the year-end obsolete provision adequately reflected the levels of stock loss experienced during the year. • Assessed the adequacy and reasonableness of related disclosure included in the consolidated financial statements of the Group.

Other information included in The Group's 2023 Annual Report

Other information consists of the information included in the Group's 2023 annual report, other than the consolidated financial statements and our auditor's report thereon. The Management is responsible for the other information in its annual report. The Group's 2023 annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Group's 2023 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

The 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 Company's By-laws, and for such internal control as the 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, the 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 the 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.

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 the Management.

Building a better working world

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Nahdi Medical Company (A Saudi Joint Stock Company) (continued)

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

- Conclude on the appropriateness of the Management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

for Ernst & Young Professional Services

J14
سجل تجاري ٤٠٣٠٢٧٦٦٤٤
CR. 4030276644
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

Abdullah Ali AlMakrami
Certified Public Accountant
License No. (476)

Jeddah: 07 Ramadan 1445H
17 March 2024G

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	***31 December 2023 SR***	*31 December 2022 SR*
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	6	**1,040,465,089**	913,633,033
Investment properties	7	**254,304,184**	253,806,184
Intangible assets	8	**51,170,546**	47,061,133
Right-of-use assets	9	**1,266,643,835**	1,166,761,794
TOTAL NON-CURRENT ASSETS		**2,612,583,654**	2,381,262,144
CURRENT ASSETS			
Inventories	10	**1,409,409,250**	1,182,834,577
Trade receivables	11	**172,847,737**	130,201,679
Prepayments and other current assets	12	**266,824,402**	174,292,731
Cash and cash equivalents	13	**909,662,249**	1,076,311,959
TOTAL CURRENT ASSETS		**2,758,743,638**	2,563,640,946
TOTAL ASSETS		**5,371,327,292**	4,944,903,090
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	14(a)	**1,300,000,000**	1,300,000,000
Statutory reserve	14(b)	**369,207,440**	279,945,626
Retained earnings		**794,391,230**	663,833,421
Foreign currency translation reserve		**(842,691)**	(394,870)
TOTAL SHAREHOLDERS' EQUITY		**2,462,755,979**	2,243,384,177
NON-CURRENT LIABILITIES			
Lease liabilities	9	**870,566,386**	792,230,416
Accruals and other non-current liabilities	17	**14,793,148**	20,044,876
Employee benefit liabilities	15	**392,117,269**	380,861,250
TOTAL NON-CURRENT LIABILITIES		**1,277,476,803**	1,193,136,542
CURRENT LIABILITIES			
Trade payables	16	**894,307,578**	637,165,960
Lease liabilities – current portion	9	**304,189,343**	375,874,436
Accruals and other current liabilities	17	**320,065,623**	388,794,074
Zakat provision	18	**112,531,966**	106,547,901
TOTAL CURRENT LIABILITIES		**1,631,094,510**	1,508,382,371
TOTAL LIABILITIES		**2,908,571,313**	2,701,518,913
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**5,371,327,292**	4,944,903,090

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

The attached notes from 1 to 35 form an integral part of these consolidated financial statements.

Nahdi Medical Company (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	*31 December 2023 SR*	*31 December 2022 SR*
Revenue	30	**8,713,675,990**	8,616,187,816
Cost of revenue	19	**(5,191,432,333)**	(5,070,796,608)
GROSS PROFIT		**3,522,243,657**	3,545,391,208
Other operating income, net	20	**23,921,030**	27,057,543
Selling and distribution expenses	21	**(2,248,580,681)**	(2,238,937,977)
General and administrative expenses	22	**(336,628,965)**	(330,933,373)
OPERATING PROFIT FOR THE YEAR		**960,955,041**	1,002,577,401
Finance costs	23	**(83,022,004)**	(81,173,620)
Finance income	24	**64,727,602**	13,927,481
Other income, net		**1,087,516**	2,080,514
Reversal of impairment on investment properties	7	**498,000**	14,526,595
Loss against write off for old distribution centre		**-**	(6,950,568)
Loss on derecognition of investment properties	7	**-**	(7,062,411)
PROFIT BEFORE ZAKAT		**944,246,155**	937,925,392
Zakat charge	18	**(51,628,015)**	(50,113,578)
PROFIT FOR THE YEAR		**892,618,140**	887,811,814
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss in subsequent periods:			
Re-measurement gain on defined benefits obligations	15	**42,201,483**	52,487,032
Items that may be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations		**(447,821)**	(210,168)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**934,371,802**	940,088,678
EARNINGS PER SHARE			
Basic and diluted, earnings per share attributable to ordinary equity holders of the Parent Company	25	**6.87**	6.83

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

The attached notes from 1 to 35 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2023

	Share Capital	*Statutory reserve*	*Retained earnings*	*Foreign currency translation reserve*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*
Balance as at 1 January 2022	1,300,000,000	191,164,445	112,615,756	(184,702)	1,603,595,499
Profit for the year	-	-	887,811,814	-	887,811,814
Other comprehensive gain/(loss) for the year	-	-	52,487,032	(210,168)	52,276,864
Total comprehensive income for the year	-	-	940,298,846	(210,168)	940,088,678
Dividends (note 14c)	-	-	(300,300,000)	-	(300,300,000)
Transfer to statutory reserve	-	88,781,181	(88,781,181)	-	-
Balance as at 31 December 2022	1,300,000,000	279,945,626	663,833,421	(394,870)	2,243,384,177
Profit for the year	-	-	**892,618,140**	-	**892,618,140**
Other comprehensive gain/(loss) for the year	-	-	**42,201,483**	**(447,821)**	**41,753,662**
Total comprehensive income for the year	-	-	**934,819,623**	**(447,821)**	**934,371,802**
Dividends (note 14c)	-	-	**(715,000,000)**	-	**(715,000,000)**
Transfer to statutory reserve (note 14a)	-	**89,261,814**	**(89,261,814)**	-	-
Balance as at 31 December 2023	**1,300,000,000**	**369,207,440**	**794,391,230**	**(842,691)**	**2,462,755,979**

APPROVED BY:
Abdullah Al Nahdi
DEPUTY CHAIRMAN

APPROVED BY:
Yasser Joharji
CEO

APPROVED BY:
Mohammed Al-Khubani
CFO

The attached notes from 1 to 35 form an integral part of these consolidated financial statements.

Nahdi Medical Company (A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	*31 December 2023 SR*	*31 December 2022 SR*
OPERATING ACTIVITIES			
Profit before zakat		**944,246,155**	937,925,392
Adjustment to reconcile profit before zakat to net cash flows from operating activities:			
Depreciation of property and equipment	6	**219,855,774**	191,194,944
Depreciation of right-of-use assets	9	**375,092,619**	383,385,159
Amortisation of intangible assets	8	**23,132,125**	22,062,867
(Gain)/loss on disposal of property and equipment		**(216,523)**	17,368,076
Loss on disposal of intangible assets		**-**	48,505
Gain on termination of right-of-use assets		**(29,242,978)**	3,482,510
Reversal of Impairment loss of property and equipment	6	**-**	(2,649,935)
Reversal of Impairment on Investment properties	7	**(498,000)**	(14,526,595)
Loss on derecognition of investment properties	7	**-**	7,062,411
Provision for employee benefits	15	**71,360,326**	68,430,249
(Reversal)/provision for slow moving and obsolete inventories	10	**(11,953,496)**	60,660,550
(Reversal)/Impairment loss on trade receivables, net	11	**(4,490,454)**	3,189,779
Finance costs	23	**83,022,004**	79,375,137
		1,670,307,552	1,757,009,049
Working capital changes:			
Inventories		**(214,621,177)**	(127,013,225)
Trade receivables		**(38,155,604)**	6,891,660
Prepayments and other current assets		**(92,531,671)**	(32,726,449)
Trade and other payables		**257,141,618**	153,170,903
Accruals and other current liabilities		**(66,863,694)**	52,167,915
		1,515,277,024	1,809,499,853
Finance costs paid		**(83,022,004)**	(79,375,137)
Zakat paid	18	**(45,643,950)**	(40,439,425)
Employee benefits paid	15	**(17,882,852)**	(21,814,010)
Net cash flows from operating activities		**1,368,728,218**	1,667,871,281
INVESTING ACTIVITIES			
Purchase of property and equipment	6	**(353,861,780)**	(250,266,759)
Proceeds from sale of property and equipment		**254,015**	103,286
Purchase of intangible assets	8	**(30,648,761)**	(24,966,349)
Net cash flows used in investing activities		**(384,256,526)**	(275,129,822)
FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities	9	**(435,673,581)**	(416,963,779)
Dividends paid	14(c)	**(715,000,000)**	(300,300,000)
Net cash flows used in financing activities		**(1,150,673,581)**	(717,263,779)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(166,201,889)**	675,477,680
Net foreign exchange difference		**(447,821)**	(210,168)
Cash and cash equivalents at 1 January		**1,076,311,959**	401,044,447
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	**909,662,249**	1,076,311,959
SUPPLEMENTARY NON-CASH INFORMATION			
Addition to right-of-use assets and lease liabilities	9	**611,068,520**	409,653,545

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

The attached notes from 1 to 35 form an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

Nahdi Medical Company (the "Parent Company" or the "Company") is a Saudi Joint Stock 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). 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 mainly in the Kingdom of Saudi Arabia ("KSA") and the United Arab Emirates ("UAE"), and its Head Office is located at the following address:

Nahdi Medical Company,
PO. Box 17129,
King Abdulaziz Road, Murjan District, Jeddah 23715
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 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") (collectively referred to as "IFRSs as endorsed in KSA").

2.2 Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis.
The group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

2.3 Functional and presentation currency

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

2.4 Basis of consolidation

These consolidated financial statements comprise 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 2023:

Subsidiary name	*Country of incorporation*	*Principal business activity*	*Effective ownership interest*	
			31 December 2023	*31 December 2022*
Nahdi Care Limited Company	KSA	Clinics	**100%**	100%
Al Sakhaa Golden Trading and Contracting Company*	KSA	Labor Services	**100%**	100%
Nahdi Investment CO. L.L.C**	UAE	Holding Company	**100%**	100%

2. BASIS OF PREPARATION (continued)

2.4 Basis of consolidation (continued)

* As at 31 December 2023, Al Sakhaa Golden Trading and Contracting Company has an investment in the following subsidiary:

Subsidiary name	*Country of incorporation*	*Principal business activity*	*Effective ownership interest*	
			31 December 2023	*31 December 2022*
Al Sakhaa integrated solutions	Egypt	IT consulting	**99%**	99%

The remaining 1% is held by Nahdi Investment CO. L.L.C, who holds the share for the beneficial interest of the company.

**As at 31 December 2023, Nahdi Investment CO. L.L.C also has investments in the following subsidiaries:

Subsidiary name	*Country of incorporation*	*Principal business activity*	*Effective ownership interest*	
			31 December 2023	*31 December 2022*
Nahdi Drug Store L.L.C	UAE	Drug store	**99%**	99%
Nahdi Pharmacy L.L.C	UAE	Pharmacy	**99%**	99%

The remaining 1% is held by Mr. Saleh Mohamed Amer Salmeen Al Hajeri of 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.

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.

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.

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.

2. BASIS OF PREPARATION (continued)

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. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to carrying amount of assets or liabilities affected future periods.

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

- Sensitivity analysis disclosures (note 7 & note 15)
- Financial instruments risk management and policies (note 26)
- Capital management (note 27)

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:

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 customization to the leased asset). The periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

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.

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
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.

2. BASIS OF PREPARATION (continued)

2.5 Significant accounting judgments, estimates and assumptions (continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material difference in the carrying amounts of assets and liabilities within the next financial period, are presented below. The Group used these assumptions and estimates on the basis available when the 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/amortization. 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.

Determination of inventory net realizable value

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. For instance, if forecasted economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in relevant sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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. The information about the ECLs on the Group trade receivables is disclosed in note 11 & 26.

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 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.

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)

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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The following are the material 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.

3.3 Foreign currencies

The Group's consolidated financial statements are presented in Saudi Riyals ("SR"), which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities 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 recognised in 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 MATERIAL ACCOUNTING POLICIES (continued)

3.3 Foreign currencies (continued)

Group Companies - foreign operations

The assets and liabilities of foreign operations are translated to Saudi Riyals at rate of exchange prevailing at the reporting date and their statement of profit or loss and comprehensive income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. 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. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to profit or loss.

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 comprehensive income 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.

An intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use of disposal. Any gain or loss 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 derecognized.

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 licenses	4 years
Others	5 years

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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 labor, 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 consolidated statement of profit or loss.

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 derecognized. 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	The shorter of useful life or related lease term (10 – 25)
Leasehold improvement	The shorter of useful life or related lease term (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 MATERIAL 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 consolidated 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, as follows:

Lands 10 to 25 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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.7 Leases (continued)

Lease liabilities(continued)
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).

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 marketplace (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 MATERIAL 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 amortized 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 margin on letter of credit.

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.

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 consolidated 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 MATERIAL 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)

<u>*Financial liabilities at fair value through profit or loss*</u>
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 consolidated 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 MATERIAL ACCOUNTING POLICIES (continued)

3.8 Financial instruments (continued)

ii) Financial liabilities (continued)

Subsequent measurement (continued)

Financial liabilities at amortized 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 consolidated statement of profit or loss.

Derecognition

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

Impairment of financial assets

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

For trade receivables, 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.

Impairment of non-financial assets

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets 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 groups 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.

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 recognized in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.8 Financial instruments (continued)

Impairment of non-financial assets (continued)

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the assets or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. 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 recognized for the asset in prior years. Such reversal is recognized 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.

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 at banks, cash on hand and short-term highly liquid deposits with original maturities of three months or less that are held for the purpose of meeting short-term cash commitments and are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

3.11 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 consolidated statement of profit or loss (refer to note 15).

Obligation in respect of Nahdi Investment CO. L.L.C, where applicable are calculated in accordance with the U.A.E Labor Law and are based on current remuneration and cumulative years of service at the reporting date.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.12 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 is 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.

3.13 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.

3.14 Revenue from contracts with customers

The Group is engaged in the business of 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 (retail)

The Group operates a chain of retail stores (pharmacies and healthcare stores) selling medicines, perfumes, cosmetics and beauty tools and products. Revenue is recognised at the point in time when control of the asset is transferred to the customer (i.e., at the point the customer purchases the goods at the retail outlet). Payment of the transaction price is due immediately at the point in time when control of the asset is transferred to the customer. However, certain sales are through insurance and other companies. A receivable is recognised by the Group upon transfer of control as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. It is the Group's policy to sell its products to its customers with a right of return within 14 days. However, the management concluded that the expected returns based on pattern of historical returns is deemed immaterial, accordingly the management has not accounted for it.

Loyalty points program

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 2.5.

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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.14 Revenue from contracts with customers (continued)

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 recognized 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 recognized 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.

3.15 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.

3.16 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.

3.17 Cash dividend to shareholders of the Group

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

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 2023 (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 IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts.
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 a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects.
IFRS 17 is based on a 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

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

4.2 Definition of Accounting Estimates - Amendments to IAS 8

The 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 had no impact on the Group.

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

The 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 have had an impact on the Group’s disclosures of accounting policies, but not on the measurement, recognition, or presentation of any items in the Group’s financial statements.

4.4 Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

The amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendment had no impact on the Group’s consolidated financial statements.

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

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted, and that fact must be disclosed.

The amendments are not expected to have an impact on the Group’s financial statements as the Group doesn’t have sale and leaseback transactions.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

In January 2020 and October 2022, 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. In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are not expected to have a material impact on the Group's financial statements.

5.3 Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

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	58,172,935	246,594,691	1,134,852,767	59,464,333	164,529,251	1,303,681	146,728,411	51,590,685	**1,863,236,754**
Additions	-	5,643,439	235,787,786	8,842,899	44,933,331	-	19,680,439	38,973,886	**353,861,780**
Disposals	-	-	(6,162,065)	(100,361)	(2,708,201)	-	(20,000)	-	**(8,990,627)**
Transfer from capital work in progress	-		31,089,948	-	-	-	-	(31,089,948)	-
Write-offs	-		(32,292,011)	(606,318)	(1,565,538)	-	(243,220)	-	**(34,707,087)**
At end of the year	**58,172,935**	**252,238,130**	**1,363,276,425**	**67,600,553**	**205,188,843**	**1,303,681**	**166,145,630**	**59,474,623**	**2,173,400,820**
Accumulated depreciation and impairment:									
At beginning of the year	-	19,670,155	663,734,537	42,562,921	108,974,720	1,215,796	113,445,592	-	**949,603,721**
Depreciation charge for the year	-	13,110,939	157,761,073	8,592,895	26,280,348	54,149	14,056,370	-	**219,855,774**
Disposals	-	-	(6,129,980)	(97,968)	(2,705,187)	-	(20,000)	-	**(8,953,135)**
Write-offs	-		(25,423,628)	(514,905)	(1,436,551)	-	(195,545)	-	**(27,570,629)**
At end of the year	-	**32,781,094**	**789,942,002**	**50,542,943**	**131,113,330**	**1,269,945**	**127,286,417**	-	**1,132,935,731**
Net book value:									
At 31 December 2023	**58,172,935**	**219,457,036**	**573,334,423**	**17,057,610**	**74,075,513**	**33,736**	**38,859,213**	**59,474,623**	**1,040,465,089**

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	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**
Reclassification	-	-	6,064,947	4,330	(4,148,605)	-	3,045,377	(4,966,049)	-
Additions	-	3,251,298	159,658,871	8,020,270	22,471,879	-	22,084,298	34,780,143	**250,266,759**
Disposals	-	-	(919,836)	(1,051,531)	(2,315,809)	-	(17,699)	-	**(4,304,875)**
Transfer from capital work in progress	-	214,633,381	48,721,436	-	-	-	-	(263,354,817)	-
Transfer to Investment properties (note 7)	(16,257,000)	-	-	-	-	-	-	-	**(16,257,000)**
Write-offs	-	(15,710,680)	(52,756,695)	(3,924,277)	(28,466,072)	-	(11,524,593)	-	**(112,382,317)**
At end of the year	**58,172,935**	**246,594,691**	**1,134,852,767**	**59,464,333**	**164,529,251**	**1,303,681**	**146,728,411**	**51,590,685**	**1,863,236,754**
Accumulated depreciation and impairment:									
At beginning 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**
Reclassification	-	-	-	-	(3,644,813)	-	3,644,813	-	-
Depreciation charge for the year	-	13,228,892	136,536,880	8,374,405	20,992,058	71,500	11,991,209	-	**191,194,944**
Impairment reversal for the year	(2,649,935)	-	-	-	-	-	-	-	**(2,649,935)**
Disposals	-	-	(920,190)	(1,047,233)	(2,292,276)	-	(17,049)	-	**(4,276,748)**
Write-offs	-	(10,658,608)	(41,414,437)	(3,534,623)	(27,840,616)	-	(11,490,798)	-	**(94,939,082)**
At end of the year	-	**19,670,155**	**663,734,537**	**42,562,921**	**108,974,720**	**1,215,796**	**113,445,592**	-	**949,603,721**
Net book value:									
At 31 December 2022	**58,172,935**	**226,924,536**	**471,118,230**	**16,901,412**	**55,554,531**	**87,885**	**33,282,819**	**51,590,685**	**913,633,033**

6. PROPERTY AND EQUIPMENT (continued)

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

	31 December 2023 SR	*31 December 2022 SR*
Selling and distribution expenses (note 21)	**194,692,925**	172,490,336
General and administrative expenses (note 22)	**15,134,920**	12,103,028
Cost of revenue (note19)	**10,027,929**	6,601,580
	219,855,774	191,194,944

d) The title deeds for the parcel of land are in the name of the Company.

e) Capital work in progress relates to the expenditure incurred on leasehold improvements amounting to SR 19.5 million and for the construction of the clinics amounting to SR 39.9 million which are expected to be capitalized in the following year upon completion and when it is ready for the intended use.

7. INVESTMENT PROPERTIES

	31 December 2023	*31 December 2022*
Cost:		
At beginning of the year	**262,963,234**	246,706,234
Transfer from property and equipment (note 6)	-	16,257,000
Total	**262,963,234**	262,963,234
Accumulated impairment loss:		
At beginning of the year	**9,157,050**	16,621,234
Loss on derecognition of investment property	-	7,062,411
Reversal of impairment loss for the year	**(498,000)**	(14,526,595)
At end of the year	**8,659,050**	9,157,050
Net book value	**254,304,184**	253,806,184

The Group's investment properties mainly represent the parcels of land in KSA which are currently held for undetermined future use. During the year 2022, the Group transferred one parcel of land from property and equipment to investment properties at cost.
The fair value of the Group's investment properties as at 31 December 2023 was valued at SR 312.7 million (31 December 2022: SR 310 million).

The fair value of the Group's investment properties, as at 31 December 2023 was determined on the basis of the valuation exercise carried out by an independent external real estate evaluator Abdullah Al Kathiri Real Estate Evaluation Office (2022: Abdullah Al Kathiri Real Estate Evaluation Office) accredited by the Saudi Authority for Accredited Valuers ("TAQEEM") and they have appropriate qualifications and relevant experience in the fair value measurement of properties in the relevant locations.

7. INVESTMENT PROPERTIES (continued)

The fair value of the lands has been determined based on income method, a valuation model in accordance with that recommended by the Saudi Authority for Accredited Valuers was applied.

Based on the difference between the carrying value and the fair value of the parcels of land as at 31 December 2023, a reversal of impairment loss amounting to SR 498,000 was recorded in the Group's consolidated financial statements for the year ended 31 December 2023 (31 December 2022: SR 14.53 million).

During the year ended 31 December 2022, the management of the Group realized that a portion of one of the lands owned by the Group was partially used in the infrastructure by a Government Body which is under assessment at the reporting date. Based on the carrying value of the revised area of land, an impairment loss amounting to SR 7.06 million was recorded in the Group's consolidated financial statements for the year ended 31 December 2022.

This valuation model is in accordance with those recommended by the International Valuation Standards Committee and is consistent with the principles in IFRS 13.

Such values are based on significant unobservable inputs and the fair value measurement was classified as level 3. These significant unobservable inputs for properties with undetermined use include:

Significant inputs and assumptions	**Basis of determination**	**Range (weight average)**	**Sensitivity of the input of fair value**
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.	**2023: 7% - 9.5%** 2022: 8.7%-12.5%	1% increase (decrease) would result and increase (decrease) in fair value by SR 2.3 million.
Land sales rate (undeveloped) (SR per square meter)	Reflecting the price of comparable industrial land plots	**2023: 1,000 – 1,031** 2022: 758 - 809	5% increase (decrease) would result and increase (decrease) in fair value by SR 15 million.
Developer profit	Reflecting the expected developer profit of similar developments for industrial and residential plots.	**2023: 10% – 25%** 2022: 10% - 20%	5% increase (decrease) would result and increase (decrease) in fair value by SR 3 million.
Rental rate (SR per square meter)	Reflecting the market rent assumed for retail and offices rental	**2023: 1,250 – 700** 2022: 1000 - 800	5% increase (decrease) would result and increase (decrease) in fair value by SR 7 million.
Capitalization rate	Reflecting the assumed return metric that is used to determine the potential return on the property.	**2023: 8%** 2022: 8%	0.5% increase (decrease) would result and increase (decrease) in fair value by SR 10 million.

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

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

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repair, maintenance, and enhancement.

8. INTANGIBLE ASSETS

	Software *SR*	*Acquisition of pharmacies licenses* *SR*	*Others* *SR*	***Total*** ***SR***
Cost:				
At beginning of the year	182,360,334	107,596,757	8,682,680	298,639,771
Additions	22,216,349	-	2,750,000	24,966,349
Write offs	(581,191)	(3,805,321)	(1,238,361)	(5,624,873)
At 31 December 2022	203,995,492	103,791,436	10,194,319	317,981,247
Additions	**30,648,761**	-	-	**30,648,761**
Transfer to right of use assets (note 9)	-	-	**(10,194,319)**	**(10,194,319)**
Write offs	-	**(865,075)**	-	**(865,075)**
At 31 December 2023	**234,644,253**	**102,926,361**	-	**337,570,614**
Accumulated amortization:				
At beginning of the year	140,025,504	107,596,757	6,811,354	254,433,615
Amortization	20,893,142	-	1,169,725	22,062,867
Write offs	(577,064)	(3,805,321)	(1,193,983)	(5,576,368)
At 31 December 2022	160,341,582	103,791,436	6,787,096	270,920,114
Amortization charge for the year	**23,132,125**	**-**	**-**	**23,132,125**
Transfer to right of use assets (note 9)	**-**	**-**	**(6,787,096)**	**(6,787,096)**
Write offs	**-**	**(865,075)**	**-**	**(865,075)**
At 31 December 2023	**183,473,707**	**102,926,361**	-	**286,400,068**
Net book value:				
At 31 December 2023	**51,170,546**	-	-	**51,170,546**
At 31 December 2022	43,653,910	-	3,407,223	47,061,133

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

	31 December 2023 ***SR***	*31 December 2022* *SR*
General and administrative expenses (note 22)	**15,090,097**	14,992,465
Selling and distribution expenses (note 21)	**8,042,028**	7,070,402
	23,132,125	22,062,867

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. There are several lease contacts that include extension and termination options. The Group applies the 'short-term lease' recognition exemptions for the leases which have lease term lower than or equal to one-year.

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 2023	**102,435,094**	**1,064,326,700**	**1,166,761,794**
Additions during the year	**78,334,917**	**532,733,603**	**611,068,520**
Transfer from intangible asset	**2,082,171**	**1,325,052**	**3,407,223**
Modifications during the year	**(2,497,312)**	**(85,755,627)**	**(88,252,939)**
Termination during the year	-	**(51,248,144)**	**(51,248,144)**
Depreciation expense	**(18,336,078)**	**(356,756,541)**	**(375,092,619)**
As at 31 December 2023	**162,018,792**	**1,104,625,043**	**1,266,643,835**
As at 1 January 2022	84,401,716	1,243,216,306	1,327,618,022
Additions during the year	46,806,536	362,847,009	409,653,545
Modifications during the year	(16,882,617)	(69,538,692)	(86,421,309)
Termination during the year	-	(100,703,305)	(100,703,305)
Depreciation expense	(11,890,541)	(371,494,618)	(383,385,159)
As at 31 December 2022	102,435,094	1,064,326,700	1,166,761,794

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

	31 December 2023 ***SR***	*31 December 2022* *SR*
As at 1 January	**1,168,104,851**	1,359,057,190
Additions during the year	**611,068,520**	409,653,545
Impact of lease termination	**(80,491,122)**	(97,220,795)
Modifications during the year	**(88,252,939)**	(86,421,309)
Accretion of interest during the year	**50,463,395**	50,471,426
Payments during the year	**(486,136,976)**	(467,435,205)
As at 31 December	**1,174,755,729**	1,168,104,852
Current	**304,189,343**	375,874,436
Non-current	**870,566,386**	792,230,416

The additions, terminations and modifications during the year happened in normal course of business, except for termination of lease contracts related to stores that were subject to expropriation by the Government.

The maturity analysis of lease liabilities is disclosed in note 26.

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 2023 SR	*31 December 2022 SR*
Depreciation expense of right-of-use assets (note 19, 21 & 22)	**375,092,619**	383,385,159
Interest expense on lease liabilities (note 23)	**50,463,395**	50,471,426
Expense relating to short-term leases	**36,614,294**	7,451,617
Total amount recognised in consolidated statement of profit or loss	**462,170,308**	441,308,202

The Group had total cash outflows for leases of SR 486 million in 2023 (SR 474.9 million in 2022). The Group also had non-cash additions to right-of-use assets and lease liabilities of SR 611 million in 2023 (SR 410 million in 2022).

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

	31 December 2023 SR	*31 December 2022 SR*
Selling and distribution expenses (note 21)	**365,107,713**	376,824,711
General and administrative expenses (note 22)	**8,284,997**	6,560,448
Cost of Sales	**1,699,909**	-
	375,092,619	383,385,159

10. INVENTORIES

	31 December 2023 SR	*31 December 2022 SR*
Inventories	**1,507,140,759**	1,325,055,667
Less: Provision for slow moving and obsolete inventories	**(97,731,509)**	(142,221,090)
	1,409,409,250	1,182,834,577

During 2023, SR 5,127 million (2022; SR 4,939 million) was recognized as an expense for inventories carried at net realizable value. This is recognized in cost of revenue.

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

	31 December 2023 SR	*31 December 2022 SR*
At the beginning of the year	**142,221,090**	124,769,595
(Reversal)/charge for the year (a)	**(11,953,496)**	60,660,550
Written off during the year	**(32,536,085)**	(43,209,055)
At the end of the year	**97,731,509**	142,221,090

a) During the year, management has undertaken a reassessment of inventory provision estimation process which resulted into change of estimates based on development in the terms of suppliers' agreements as well as other factors. The change of estimate of SR 11.9 million. This reversal was recognised in the statement of profit and loss within cost of revenue.

11. TRADE RECEIVABLES

	31 December 2023 SR	*31 December 2022 SR*
Trade receivables	**176,772,076**	138,616,472
Less: Allowance for expected credit losses (see note below)	**(3,924,339)**	(8,414,793)
	172,847,737	130,201,679

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

	31 December 2023 SR	*31 December 2022 SR*
At the beginning of the year	**8,414,793**	6,714,875
(Reversal)/charge for the year	**(4,490,454)**	3,189,779
Written off during the year	**-**	(1,489,861)
At the end of the year	**3,924,339**	8,414,793

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

Before accepting any customer, the Group evaluates the credit quality of the potential customers individually and defines the maximum credit period and credit limits. The credit period for the Group's operations normally ranges between 30 to 60 days which is either contractually agreed or internally defined.

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 writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

12. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2023 SR	*31 December 2022 SR*
Prepayments	**50,636,084**	47,465,475
Employees' loans	**57,129,483**	48,405,056
Advance payments to suppliers	**95,307,189**	27,767,484
Value added tax (VAT)	**44,650,178**	26,371,543
Margin on letter of credits	**2,373,322**	2,527,705
Rent deposits	**10,558,437**	9,455,130
Other current assets	**6,169,709**	12,300,338
	266,824,402	174,292,731

13. CASH AND CASH EQUIVALENTS

	31 December 2023 SR	*31 December 2022 SR*
Cash at banks	**70,735,306**	1,005,470,436
Cash on hand	**77,969,943**	70,841,523
Term deposits	**760,957,000**	-
	909,662,249	1,076,311,959

At 31 December 2023, the Group had short-term bank deposits with original maturities of less than three months. During 2023, The Group earned SR 57 million (2022; SR 12 million) on the murabaha and term-deposits at rate of return ranging between 5.32% to 6.30%.

At each reporting date, all bank balances are assessed to have low credit risk as they are held with reputable and high credit rating domestic and international banking institutions and there has been no history of default with any of the Group bank balance. Therefore, the probability of default based on forward looking factors and any loss given defaults are negligible.

14. SHAREHOLDERS' EQUITY

(a) Share capital

The Company's capital is divided into 130,000,000 shares (31 December 2022: 130,000,000 shares) with a nominal value of SR 10 each (31 December 2022: SR 10 each).

(b) Statutory reserve

In accordance with Parent Companies' By-laws, the Parent Company must set aside 10% of its annual net income as the statutory reserve until it reaches 30% of the share capital. The reserve is not available for distribution.

(c) Dividends

- On 19 March 2023G (corresponding to 27 Sha'ban 1444H), the Board of Directors announced the distribution of SR 390,000,000 as cash dividends (SR 3 per share) for the second half of the fiscal year 2022, which represents 30% of the nominal value of the shares which was settled in full during the period.

- On 01 August 2023G (corresponding to 14 Muharram 1445H), the Board of Directors announced the distribution of SR 325,000,0000 as cash dividends (SR 2.50 per share) for the first half of the fiscal year 2023, which represents 25% of the nominal value of the shares which was settled in full during the period.

	31 December 2023 SR	*31 December 2022 SR*
Interim cash dividends for the second half of the year 2022: SR 3.00 per share	**390,000,000**	-
Interim cash dividends for the first half of the year 2023: SR 2.50 per share (2022: SR 2.31 per share)	**325,000,000**	300,300,000
	715,000,000	300,300,000

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 2023 SR	*31 December 2022 SR*
Defined benefits obligation at beginning of the year	**380,861,250**	386,732,043
Current service cost	**55,423,817**	57,718,499
Interest cost on defined benefits obligation	**15,936,509**	10,711,750
Actuarial gain on the obligation	**(42,201,483)**	(52,487,032)
Transferred out	**(19,972)**	-
Payments made during the year	**(17,882,852)**	(21,814,010)
Defined benefit obligations at the end of the year	**392,117,269**	380,861,250

15.1 Actuarial assumptions

	31 December 2023	*31 December 2022*
Discount rate	**4.70%**	4.30%
Future salary growth/expected rate of salary increase	**4.30%**	4.80%
Mortality rate	**0.25%**	0.25%
Retirement age	**60 years**	60 years

The quantitative sensitivity analysis for principal assumptions is as follows:

	31 December 2023 SR	*31 December 2022 SR*
Discount rate:		
+1.00% increase	**(27,098,622)**	(28,228,741)
-1.00% decrease	**27,902,710**	32,530,367
Salary increase rate:		
+1.00% increase	**28,853,717**	33,082,811
-1.00% decrease	**(28,406,214)**	(29,251,104)

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.

The weighted average duration of the defined benefit obligation is 7.17 years (31 December 2022: 7.98 years)

The following is the breakup of the actuarial (gain)/loss:

	31 December 2023 SR	*31 December 2022 SR*
Financial assumptions	**(26,644,224)**	(33,779,276)
Experience adjustment	**(17,819,043)**	(15,168,085)
Demographic adjustment	**2,261,784**	(3,539,671)
	(42,201,483)	(52,487,032)

15. EMPLOYEE BENEFIT LIABILITIES (continued)

The following payments are expected to the defined benefit plan in future years:	***31 December 2023 SR***	*31 December 2022 SR*
Within the next 12 months (next annual reporting period)	**43,001,741**	68,622,736
Between 2 and 5 years	**150,040,222**	231,534,324
Between 6 and 10 years	**150,203,158**	242,287,238
Year 11 & above	**226,368,665**	463,483,885
Total expected payments	**569,613,786**	1,005,928,183

16. TRADE PAYABLES

	31 December 2023 SR	*31 December 2022 SR*
Trade payables (note a)	**894,307,578**	637,165,960

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

17. ACCRUALS AND OTHER LIABILITIES

	31 December 2023 SR	*31 December 2022 SR*
Non- current		
Staff accruals (note a)	**14,793,148**	20,044,876
Current		
Staff accruals (note a)	**161,835,906**	191,499,655
Accrued expenses	**127,139,802**	156,952,147
Contract liabilities	**4,332,867**	12,996,252
Other liabilities	**26,757,048**	27,346,020
	320,065,623	388,794,074

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

18. ZAKAT

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

	31 December 2023 SR	*31 December 2022 SR*
At the beginning of the year	**106,547,901**	96,873,748
Provision charge for year	**51,628,015**	50,113,578
Payment during the year	**(45,643,950)**	(40,439,425)
At the end of the year	**112,531,966**	106,547,901

During the year, the Group companies that are operated in KSA, (the Parent Company, Nahdi Care Company, and Al Sakhaa Golden Trading and Contracting Company) have been requested and obtained an approval from ZATCA to submit their Zakat based on a unified return. Starting from the year ended 31 December 2023 and onward Zakat submission will be based on the unified return which will prepared based on a Special Purpose Financial Statements.

Status of assessments

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 2021 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. The Company paid partial amount of SR 1,017,416 then ZATCA has requested the committee to waive the co remaining assessment amount of SR 5,000,000. The waiver has been accepted by the committee and the management is waiting for the revised assessment reflecting this waive and a provision still provided for the remaining amount.

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 to 2022
The Group submitted zakat return for the year and no zakat assessment was received. The Group received a valid zakat certificate until 30 April 2024.

For the year ended 31 December 2023
The zakat status remains as mentioned above and has not changed in the year ended 31 December 2023.

Subsidiaries

Al Sakhaa Golden Trading and Contracting Company
Zakat assessments have been agreed with the Zakat, Tax and Customs Authority ("ZATCA") up to 2019.

For the year ended 31 December 2020 to 2022
The Company submitted zakat return for the year and no zakat assessment was received. The Company received a valid zakat certificate until 30 April 2024.

For the year ended 31 December 2023
The zakat status remains as mentioned above and has not changed in the year ended 31 December 2023.

Nahdi Care Limited Company
For the years ended 31 December 2019 to 2022
The Company submitted zakat return for the years and no zakat assessment was received. The Company received a valid zakat certificate until 30 April 2024.

For the year ended 31 December 2023
The zakat status remains as mentioned above and has not changed in the year ended 31 December 2023.

19. COST OF REVENUE

	31 December 2023 SR	*31 December 2022 SR*
Cost of goods sold (note 10)	**5,126,753,312**	4,939,256,071
(Reversal)/Provision for slow moving inventory, net (note 10)	**(11,953,496)**	60,660,550
Employee costs	**41,409,537**	44,579,363
Inventory write off	-	16,843,657
Depreciation of property and equipment (note 6)	**10,027,929**	6,601,580
Other expenses	**25,195,051**	2,855,387
	5,191,432,333	5,070,796,608

20. OTHER OPERATING INCOME, NET

	31 December 2023 SR	*31 December 2022 SR*
Reversal of accrued expenses/ recovery of operating pharmacy costs	**17,856,147**	11,504,083
Impairment reversal of property and equipment (note 6)	-	2,649,935
Rental income	**2,914,384**	2,377,762
Gain from disposal of property and equipment	**216,523**	106,982
Scrap sale of inventory	**1,751,875**	-
Other	**1,182,101**	10,418,781
	23,921,030	27,057,543

21. SELLING AND DISTRIBUTION EXPENSES

	31 December 2023 SR	*31 December 2022 SR*
Employee costs	**1,234,125,415**	1,289,766,616
Depreciation of right-of-use assets (note 9)	**365,107,713**	376,824,711
Depreciation (note 6)	**194,692,925**	172,490,336
Utilities	**68,800,873**	71,284,659
Advertising and promotion	**66,364,362**	67,810,301
Repair and maintenance	**45,438,559**	32,036,774
Attestation of governmental expenses	**32,002,000**	22,139,474
Loading and packing expenses	**27,707,721**	19,030,597
Business events	**8,328,118**	8,707,801
Communications	**6,544,282**	8,147,742
Amortization (note 8)	**8,042,028**	7,070,402
Others	**191,426,685**	163,628,564
	2,248,580,681	2,238,937,977

22. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2023 SR	*31 December 2022 SR*
Employee costs	**187,948,466**	190,666,181
Repair and maintenance	**41,081,837**	38,144,533
Legal and professional	**18,319,933**	15,779,711
Amortization (note 8)	**15,090,097**	14,992,465
Depreciation (note 6)	**15,134,920**	12,103,028
Depreciation of right-of-use assets (note 9)	**8,284,997**	6,560,448
Communications	**7,256,784**	5,724,971
Attestation and government expenses	**2,669,430**	5,346,214
Board of directors' remunerations	**4,475,000**	4,600,004
Expected credit losses of trade receivables	**3,561,091**	3,189,779
Others	**32,806,410**	33,826,039
	336,628,965	330,933,373

23. FINANCE COST

	31 December 2023 SR	*31 December 2022 SR*
Interest expense on lease liability	**50,463,395**	50,471,426
Bank charges	**32,558,609**	30,702,194
	83,022,004	81,173,620

24. FINANCE INCOME

	31 December 2023 SR	*31 December 2022 SR*
Income from term deposits	**56,818,524**	12,128,998
Foreign exchange gain	**7,909,078**	1,798,483
	64,727,602	13,927,481

25. EARNINGS PER SHARE

The earnings per share calculation is given below:

	31 December 2023 SR	*31 December 2022 SR*
Profit for the year	**892,618,140**	887,811,814
Weighted average number of ordinary shares	**130,000,000**	130,000,000
Earnings per share – basic and diluted	**6.87**	6.83

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

26. FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Group's principal financial liabilities include 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 margin on letter of credit.

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). The Group's transactions are principally in Saudi Riyals. However, the group also transacts in AED. AED to Saudi Riyals is pegged whereas exposure related to other currencies is not material to the group. Moreover, the Group's management monitors such fluctuations and manages its effect on the group's financial statements accordingly.

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 2023, the Group had three customers (31 December 2022: two customers) which accounted for approximately 73% (31 December 2022: 72%) of all trade receivable balances. The Group evaluates the concentration of risk with respect to trade receivables as low.

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.

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.

26. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Credit risk (continued)

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

Receivable from customers

Ageing	*2023*			*2022*		
	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)	**36,668,037**	**-**	**-**	38,242,069	-	-
0-90 Days Overdue	**108,751,698**	**0.2%**	**144,325**	50,930,255	0.4%	181,812
91-180 Days Overdue	**19,159,490**	**2.5%**	**468,970**	36,522,524	6.3%	2,305,262
181-360 Days Overdue	**10,217,811**	**14.6%**	**1,496,527**	12,903,527	45.8%	5,909,622
Over 360 Days Overdue	**1,975,040**	**91.8%**	**1,814,517**	18,097	100%	18,097
	176,772,076		**3,924,339**	138,616,472		8,414,793

Liquidity risk

Liquidity risk is the risk that an exposure 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 2023	***Within 1 year SR***	***1 to 5 years SR***	***After 5 years SR***	***Total SR***
Trade payables	**894,307,578**	**-**	**-**	**894,307,578**
Accruals and other liabilities, (except for non-financial liabilities)	**315,732,756**	**14,793,148**	**-**	**330,525,904**
Lease liabilities	**337,638,690**	**664,370,651**	**296,256,229**	**1,298,265,570**
	1,547,679,024	**679,163,799**	**296,256,229**	**2,523,099,052**

31 December 2022	*Within 1 year SR*	*1 to 5 years SR*	*After 5 years SR*	*Total SR*
Trade payables	640,035,617	-	-	640,035,617
Accruals and other liabilities, (except for non-financial liabilities)	375,797,822	20,044,876	-	395,842,698
Lease liabilities	521,890,949	1,044,627,191	191,835,721	1,758,353,861
	1,537,724,388	1,064,672,067	191,835,721	2,794,232,176

27. CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued share capital, statutory reserve and retained earnings attributable to the equity holders of the Group. The primary objective of the Group's capital management is to maximize the Shareholders' 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 shareholders, return capital to shareholders or issue new shares. The Group is currently not exposed to any gearing risk as it has not obtained any borrowings.

28. 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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All financial instruments for which fair value is recognised or disclosed are categorized 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.

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.

29. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the partners, directors and key management personnel of the Group, affiliates (the Company and the entities are members of the same 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 2023 SR	*31 December 2022 SR*
Khotta Al Khair for Commercial Services Group Limited	Affiliate	Expenses paid on behalf of the affiliate	-	51,750

Key management compensation
Compensation for key management is as follows:

	31 December 2023 SR	*31 December 2022 SR*
Salaries and other benefits*	**3,500,000**	3,500,000
Post-employment benefits	**7,676,660**	18,071,305
	11,176,660	21,571,305

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).

Related party balances are generally 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 2023, the Group has recorded impairment of receivables relating to amounts owed by related parties by SR 2.5 million (31 December 2022: Nil). 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.

30. SEGMENT INFORMATION

The Group operates mainly in the KSA and the UAE and is engaged in the sale of cosmetics, medical materials, as well as medical equipment through pharmacies. It also operates specialized medical clinics through one of its subsidiaries. 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 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 operating costs could not be separated by the reported segments and hence presented in total. The following table presents information for the Group's operating segments for the year ended 31 December 2023 and 31 December 2022, respectively.

30. SEGMENT INFORMATION

Year ended 31 December 2023	**Front Shop**	**Pharma**	**Others**	**Total**
		SR		
Revenue	**4,129,870,375**	**4,411,731,880**	**172,073,735**	**8,713,675,990**
Unallocated income (expenses)				
Cost of revenue				**(5,191,432,333)**
Other operating income, net				**23,921,030**
Selling and distribution expenses				**(2,248,580,681)**
General and administrative expenses				**(336,628,965)**
Finance costs				**(83,022,004)**
Finance income				**64,727,602**
Other income, net				**1,087,516**
Reversal of impairment on investment properties				**498,000**
Profit for the year before zakat				**944,246,155**
Zakat				**(51,628,015)**
Net profit for the year				**892,618,140**

Year ended 31 December 2022	**Front Shop**	**Pharma**	**Others**	**Total**
		SR		
Revenue	4,278,503,386	4,263,058,013	74,626,417	8,616,187,816
Unallocated income (expenses)				
Cost of revenue				(5,070,796,608)
Other operating income, net				27,057,543
Selling and distribution expenses				(2,238,937,977)
General and administrative expenses				(330,933,373)
Finance costs				(81,173,620)
Finance income				13,927,481
Loss against write off for old distribution centre				(6,950,568)
Other income, net				2,080,514
Reversal of impairment on investment properties				14,526,595
Loss on derecognition of investment properties				(7,062,411)
Profit for the year before zakat				937,925,392
Zakat				(50,113,578)
Net profit for the year				887,811,814

There is no individual customer contributed more than 10% of the Group's total sales.

31. COMMITMENTS AND CONTINGENCIES

As at 31 December 2023, the Group has commitments of SR 93 million (31 December 2022: SR 65.1 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.

32. COMPARATIVE FIGURES

Certain prior year information has been reclassified/represented to conform with the presentation in the current year.
As a result of such reclassification, there is no impact on the consolidated statement of profit or loss and Comprehensive Income, consolidated statement of changes in shareholders' equity and consolidated statement of cashflows.

33. BRANCHES

The Parent Company has the following branches at the reporting date:

Sr. No.	Location of Branch	Commercial Registration Number	Sr. No.	Location of Branch	Commercial Registration Number
1	Jeddah	4030124053	25	Besha	5851874572
2	Jeddah	4030158333	26	Buraida	1131304702
3	Jeddah	4030150171	27	Dammam	2050179259
4	Jeddah	4030158630	28	Dammam	2050050664
5	Jeddah	4030111904	29	Dammam	2050046442
6	Jeddah	4030118789	30	Dammam	2050045579
7	Jeddah	4030298132	31	Dhahran	2052002695
8	Jeddah	4030143265	32	Hafr Albaten	2511007816
9	Jeddah	4030121733	33	Hail	3350147306
10	Jeddah	4030477660	34	Jazan	5900120635
11	Riyadh	1010187031	35	Khamis Mushayt	5855023957
12	Riyadh	1010440211	36	Khamis Mushayt	5855071782
13	Riyadh	1010444001	37	Khobar	2051052304
14	Riyadh	1010461685	38	Makkah	4031044920
15	Abha	5850031875	39	Makkah	4031093616
16	Al Ahsaa	2031102806	40	Makkah	4031044923
17	Al Baha	5800104904	41	Makkah	4031263468
18	Al Madina	4650035174	42	Najran	5950117233
19	Al Madina	4650286705	43	Qura Al Ahsaa	2250062550
20	Al Madina	4650032936	44	Skaka	3400119081
21	Al Madina	4650032911	45	Tabuk	3550131585
22	Al Mubarraz	2252032301	46	Taif	4032023921
23	Al Qunfotha	4603150305	47	Taif	4032048995
24	Arar	3450174719			

34. EVENTS AFTER THE REPORTING PERIOD

On 17 March 2024G (corresponding 07 Ramadan 1445H), the Board of Directors announced the distribution of SR 390 million as cash dividends (SR 3 per shar) for the second half of the year 2023 which represents 30% of the nominal value of the shares.

Except for that, there have been no significant subsequent events since the year ended 31 December 2023, which would have a material impact on the financial position of the Group as reflected in these consolidated financial statements.

35. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorized to issue by the Board of Directors on 17 March 2024G (corresponding to 07 Ramadan 1445H).