MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
Consolidated Financial Statements
31 December 2023
together with the
Independent Auditor's Report

KPMG Professional Services
Roshn Front, Airport Road
P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
واجهة روشن، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Middle East Pharmaceutical Industries Company (A Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of Middle East Pharmaceutical Industries Company ("the Company") and its subsidiaries ("the Group"), which comprise of the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising material accounting policies and other explanatory 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 (IFRS Accounting Standards) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) 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 are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. 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 our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent Auditor's Report

To the Shareholders of Middle East Pharmaceutical Industries Company (A Saudi Joint Stock Company) (continued)

Key audit matter (continued)	
Revenue recognition Refer to Note 4.4 of the accounting policy related to revenue recognition and note 22 related to disclosure in the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
Revenue recognised during the year ended 31 December 2023, amounting to SAR 338.4 million (2022: SAR 302.7 million). The revenue recognition is considered as a key audit matter since the revenue is a key measure of the Company's performance and there is risk that revenue may be overstated resulting from pressure management may feel to achieve performance targets.	Our audit procedures performed with relation to revenue included, among others, the following: • Assessing the appropriateness of the revenue recognition policy that is applied to different products and combination of products to assess whether it is in accordance with the applicable accounting framework; • Assessing the design and implementation and testing the operating effectiveness of controls relating to processes over revenue recognition, including anti-fraud control procedures; • Performing analytical reviews of the revenue recognised during the year; • Testing the supporting documents for a samples of revenue transactions recognised during the year; • Assessing the appropriateness of the amount estimated and recorded for the value of rights to return; and • Considering the adequacy of the Group's disclosures in accordance with applicable accounting standards.

Key audit matters (continued)

Expected credit losses (ECL)

Refer to Note 4.10 of the accounting policy related to expected credit losses, and 7 related to disclosure.

The key audit matter	How the matter was addressed in our audit
The gross balance of trade receivables amounting to SAR 162 million as at 31 December 2023 (31 December 2022: SAR 159.6 million) against which the Group has established expected credit loss (ECL) allowance of SAR 6.5 million as at 31 December 2023 (31 December 2022: SAR 8 million) in accordance with the requirements of IFRS 9, "Financial Instruments." Management has applied the simplified ECL approach to determine the allowance. The loss allowance for financial assets are based on assumptions related default risk and expected loss rates. The Group uses judgement in making these assumptions and selecting inputs to calculate allowance, based on the Group's prior experience, current market conditions as each reporting period. We considered this as a key audit matter due to the level of judgement applied and the estimate made in the ECL calculation.	Our audit procedures included, among others: • Assessing the appropriateness of the Group's policy for determining the allowances to assess whether it is in accordance with the applicable accounting framework; • Evaluating the suitability of the expected credit loss model on related financial assets and its suitability to the requirements of the standard; • Obtaining an understanding of management's procedures in establishing the allowance and evaluating the design and implementation of controls in determining the ECL provision; • Verifying the main data sources and inputs used in the ECL model and evaluating the appropriateness of judgments and estimates that were used in the ECL calculation; • Obtaining the aging report for the trade receivables and testing its accuracy and ensuring the same report is used for the ECL calculation; • Reviewing the assumption used including the economic factors; and • Considering the adequacy of the Group's disclosures in accordance with applicable accounting standards.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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 annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Independent Auditor's Report

To the Shareholders of Middle East Pharmaceutical Industries Company (A Saudi Joint Stock Company) (continued)

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards issued that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Companies Law and Company's By-laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, the Board of Directors, 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 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 judgement and maintain professional scepticism throughout the audit. We also:

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

Independent Auditor's Report

To the Shareholders of Middle East Pharmaceutical Industries Company (A Saudi Joint Stock Company) (continued)

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

- 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 of Middle East Pharmaceutical Industries Company ("the Company") and its subsidiaries ("the Group").

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and 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.

KPMG Professional Services

Hani Hamzah A. Bedairi
License No: 460

Riyadh on 28 March 2024
Corresponding to: 18 Ramadan, 1445H

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	**119,078,176**	105,861,783
Intangible assets	*11*	**46,850,981**	41,487,454
Equity investments	*12*	**1,324,434**	3,605,451
Total non-current assets		**167,253,591**	150,954,688
Current assets			
Inventories	*9*	**87,170,361**	100,214,552
Trade receivables	*7*	**155,520,365**	151,573,888
Prepayments and other current assets	*8*	**12,364,337**	13,420,231
Due from related parties	*19.1*	**7,482,902**	2,498,670
Cash and cash equivalents	*6*	**15,107,194**	23,790,842
Total current assets		**277,645,159**	291,498,183
Total assets		**444,898,750**	442,452,871
EQUITY AND LIABILITIES			
Equity			
Share capital	*20*	**200,000,000**	200,000,000
Statutory reserve		**25,253,411**	25,253,411
Other comprehensive loss		**(26,667,791)**	(24,359,591)
Retained earnings		**107,813,903**	79,379,813
Total equity		**306,399,523**	280,273,633
Liabilities			
Non-current liabilities			
Loans and borrowings	*14*	**3,168,968**	9,506,904
Employee benefits	*18.1*	**22,095,084**	21,079,851
Total non-current liabilities		**25,264,052**	30,586,755
Current liabilities			
Short-term loans	*13*	**50,272,646**	69,130,087
Loans and borrowings	*14*	**6,337,936**	6,337,936
Trade payables	*15*	**28,041,528**	37,954,257
Accruals and other current liabilities	*16*	**23,157,717**	12,583,611
Zakat payable	*17.2*	**5,425,348**	5,586,592
Total current liabilities		**113,235,175**	131,592,483
Total liabilities		**138,499,227**	162,179,238
Total equity and liabilities		**444,898,750**	442,452,871

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

These consolidated financial statements were approved by the Board of Directors for issuance on 14 Ramadan 1445H corresponding to 24 March 2024 and have been signed by:

Ahmed Al Tabbaa **Chairman**	**Mohammed Maher Al Ghannam** **Managing Director & CEO**	**Bandar Al-Rasheed** **EVP-Finance & Corporate Development**

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2023
(All amounts in of Saudi Riyals unless otherwise stated)

	Note	**2023**	2022
Revenue	*22*	**338,439,704**	302,662,218
Cost of revenue	*23*	**(131,070,058)**	(118,371,401)
Gross profit		**207,369,646**	184,290,817
Selling and distribution expenses	*25*	**(80,621,578)**	(70,419,883)
General and administrative expenses	*26*	**(49,572,713)**	(43,404,741)
Reversal/(impairment) loss on trade receivable	*7*	**1,505,907**	(130,000)
Other (expenses)/ income	*24*	**(431,599)**	168,366
Operating profit		**78,249,663**	70,504,559
Finance costs	*27*	**(6,811,431)**	(5,481,493)
Profit before zakat		**71,438,232**	65,023,066
Zakat expense	*17.1*	**(5,610,883)**	(5,571,317)
Profit for the year		**65,827,349**	59,451,749
Other comprehensive loss			
Items that will not be reclassified to profit or loss:			
Equity investment at FVOCI – net change in fair value	*12.1c,12.2*	**(2,276,216)**	(6,210,124)
Re-measurements of defined benefit liability	*18.1*	**(1,425,243)**	(3,701,639)
Other comprehensive loss for the year		**(3,701,459)**	(9,911,763)
Total comprehensive income for the year		**62,125,890**	49,539,986
Basic and diluted earnings per share	*31*	**3.29**	2.97

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

These consolidated financial statements were approved by the Board of Directors for issuance on 14 Ramadan 1445H corresponding to 24 March 2024 and have been signed by:

Ahmed Al Tabbaa	**Mohammed Maher Al Ghannam**	**Bandar Al-Rasheed**
Chairman	**Managing Director & CEO**	**EVP-Finance & Corporate Development**

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023
(All amounts in of Saudi Riyals unless otherwise stated)

	Note	**Share capital**	**Statutory reserve**	**Retained earnings**	**Other comprehensive loss**	**Total equity**
Balance at 1 January 2022		60,000,000	19,308,236	202,220,693	(14,447,828)	267,081,101
Increase in share capital	*20*	140,000,000	-	(140,000,000)	-	-
Profit for the year		-	-	59,451,749	-	59,451,749
Other comprehensive loss		-	-	-	(9,911,763)	(9,911,763)
Total comprehensive income for the year		-	-	59,451,749	(9,911,763)	49,539,986
Transfer to statutory reserve		-	5,945,175	(5,945,175)	-	-
Dividends	*21*	-	-	(36,347,454)	-	(36,347,454)
Balance at 31 December 2022		200,000,000	25,253,411	79,379,813	(24,359,591)	280,273,633
Balance at 1 January 2023		**200,000,000**	**25,253,411**	**79,379,813**	**(24,359,591)**	**280,273,633**
Profit for the year		-	-	65,827,349	-	65,827,349
Other comprehensive loss		-	-	-	(3,701,459)	(3,701,459)
Total comprehensive income for the year		-	-	65,827,349	(3,701,459)	62,125,890
Transfer of realized loss to retained earnings on disposal of FVOCI equity investments		-	-	(1,393,259)	1,393,259	-
Dividends	*21*	-	-	(36,000,000)	-	(36,000,000)
Balance at 31 December 2023		**200,000,000**	**25,253,411**	**107,813,903**	**(26,667,791)**	**306,399,523**

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

These consolidated financial statements were approved by the Board of Directors for issuance on 14 Ramadan 1445H corresponding to 24 March 2024 and have been signed by:

Ahmed Al Tabbaa
Chairman

Mohammed Maher Al Ghannam
Managing Director & CEO

Bandar Al-Rasheed
EVP-Finance & Corporate Development

MIDDLE EAST PHARMACEUTICAL INDUSTRIES COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2023
(All amounts in of Saudi Riyals unless otherwise stated)

	Note	2023	2022
Cash flows from operating activities:			
Profit for the year		**65,827,349**	59,451,749
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation	*10*	**7,607,372**	6,840,961
Amortization	*11*	**4,318,321**	3,779,069
Provision for employee benefits	*18.1*	**2,826,960**	2,862,721
Finance costs relating to Murabaha loan	*27*	**5,746,910**	4,734,120
(Reversal)/impairment loss on trade receivables	*7*	**(1,505,907)**	130,000
Provision for net realizable value loss on inventories	*9*	**595,177**	1,613,821
Zakat expense	*17.2*	**5,610,883**	5,571,317
Intangible assets written off	*11*	**453,761**	56,250
Gain on disposal of property, plant and equipment		**(126,025)**	(77,161)
Changes in operating assets and liabilities:			
Inventories		**12,449,014**	(27,377,098)
Trade receivables		**(2,440,570)**	12,662,126
Prepayments and other current assets		**1,060,695**	(3,488,652)
Trade payables		**(9,912,729)**	5,222,046
Accruals and other current liabilities		**9,157,231**	3,455,344
Cash generated from operating activities		**101,668,442**	75,436,613
Zakat paid	*17.2*	**(5,772,127)**	(4,775,501)
Employee benefits paid	*18.1*	**(3,236,970)**	(2,095,855)
Net cash generated from operating activities		**92,659,345**	68,565,257
Cash flows from investing activities:			
Acquisition of property, plant and equipment	*10*	**(20,834,544)**	(9,577,069)
Purchase of intangible assets	*11*	**(10,135,609)**	(11,030,966)
Proceeds from disposal of property, plant and equipment		**136,804**	406,187
Net cash used in investing activities		**(30,833,349)**	(20,201,848)
Cash flows from financing activities:			
Proceeds from short-term loans during the year	*13*	**174,133,276**	121,941,974
Repayments of short-term loans during the year	*13*	**(192,990,717)**	(119,248,843)
Repayments of loans and borrowings during the year	*14*	**(6,337,936)**	(4,753,451)
Dividends paid	*21*	**(36,000,000)**	(36,347,454)
Finance costs relating to Murabaha paid		**(4,330,035)**	(3,926,650)
Due from related parties	*19.1*	**(4,984,232)**	(1,273,715)
Net cash used in financing activities		**(70,509,644)**	(43,608,139)
Net changes in cash and cash equivalents		**(8,683,648)**	4,755,270
Cash and cash equivalents at the beginning of year		**23,790,842**	19,035,572
Cash and cash equivalents at end of the year	*6*	**15,107,194**	23,790,842
Significant non-cash transactions:			
Equity investment at FVOCI - net change in fair value	*12.1c, 12.2*	**2,276,216**	6,210,124

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

These consolidated financial statements were approved by the Board of Directors for issuance on 14 Ramadan 1445H corresponding to 24 March 2024 and have been signed by:

Ahmed Al Tabbaa	**Mohammed Maher Al Ghannam**	**Bandar Al-Rasheed**
Chairman	**Managing Director & CEO**	**EVP-Finance & Corporate Development**

(All amounts in Saudi Riyals unless otherwise stated)

1. REPORTING ENTITY

Middle East Pharmaceutical Industries Company ("the Company") was a Limited Liability Company incorporated in Riyadh, Kingdom of Saudi Arabia under Commercial Registration No. 1010150538 on 2 Rabi II 1419H (corresponding to 27 July 1998).

The Company has applied to the Ministry of Commerce to convert the legal status of the Company from a limited liability company to a closed joint stock company, pursuant to shareholders' decision. On 21 Sha'ban 1443H (corresponding to 24 March 2022) the Ministry of Commerce approved the conversion from a limited liability company to a Saudi closed joint stock company.

Subsequent to the year ended 31 December 2023, the Company's legal status has changed from "Saudi closed joint stock company" to "Saudi joint stock company" and the legal formalities for the same are in process.

The Company's registered office is located at the following address:

8146 King Muhammad V, Sulaimaniyah,
P.O. Box 4180
Riyadh 11491
Kingdom of Saudi Arabia

The Company has twelve (12) branches incorporated in the Kingdom of Saudi Arabia. The consolidated financial statements include the results of the twelve (12) branches listed below:

Branch name	**Commercial registration number**
Middle East Pharmaceutical Industries Company-Branch	1010274622
Middle East Pharmaceutical Industries Company-Branch	1010560224
Factory of Middle East Pharmaceutical Industries Company	1010394325
Middle East Distribution Branch – Riyadh	1010175025
Middle East Distribution Company Branch – Jeddah	4030278683
Middle East Distribution Company Branch – Jeddah	4030161826
Middle East Distribution Company Branch – Dammam	2050061104
Middle East Pharmaceutical Industries Company Branch – Dammam	2050168074
Middle East Pharmaceutical Industries Company-Branch	1010653238
Middle East Distribution Company Warehouse Branch – Riyadh	1010416419
Middle Pharmaceutical Industries Company Branch-Riyadh	1010728546
Middle Pharmaceutical Industries Company Ltd. (Avalon Pharma) – Dubai Branch	100636

1. REPORTING ENTITY (CONTINUED)

The Company and its subsidiaries, mentioned below, (collectively referred to as "the Group") is engaged in manufacturing medicines, medicated and non-medicated creams and gels.

Following subsidiaries are included in the consolidated financial statements as of 31 December 2023 and 31 December 2022:

Name	**Registered office**	**Cost of investment (In GBP*)**	**Number of shares**	**Percentage of ownership**	
				Direct	*Indirect*
Avalon Pharma UK Holdings Limited	UK	1	1	*100*	-
Avalon Cosmetics Limited	UK	1	1	-	*100*
Avalon Pharma Limited	UK	1	1	-	*100*
Avalon Nutrition Limited	UK	1	1	-	*100*

*GBP – Great Britain Pound

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) Accounting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA") (hereinafter refer to as "IFRS Accounting Standards as endorsed in KSA").

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Companies Law") came into force on 26/6/1444 H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The Group has incorporated the Companies Law and noted no significant impact on the consolidated financial statements.

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention and going concern assumption, except for the employees' defined benefits obligations which is measured using the projected unit credit method and equity investments at Fair Value through Other Comprehensive Income (FVOCI), which are measured at fair value.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyal (SAR) which is the functional currency of the Company. All amounts rounded to the nearest Saudi Riyal.

2.4 Basis of consolidation

a) *Subsidiaries*

The Group re-assesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to the 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 during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

2. BASIS OF PREPARATION (CONTINUED)

2.4 Basis of consolidation (continued)

a) *Subsidiaries (continued)*

Profit or loss and each component of OCI are attributed to the Shareholders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies to align with the Group's accounting policies. All intra-group asset and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A list of subsidiaries is provided in note 1 along with the percentages of ownership.

b) *Change in ownership interest*

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

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interests;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognizes any surplus or deficit in the consolidated statement of profit or loss; and
- reclassifies the shareholders' share of components previously recognised in OCI to consolidated statement of profit or loss and other comprehensive income or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

When the Group ceases to consolidate for an investment in subsidiary because of a loss of control, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in the consolidated statement of profit or loss. This fair value becomes the initial carrying amount for the purpose of subsequent accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognized in OCI in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in OCI are reclassified to the consolidated statement of profit or loss.

3. USE OF JUDGMENTS AND ESTIMATES

In preparing these consolidated financial statements, we make estimates and judgments that affect the amounts recorded. Actual results could differ from our estimates. Our estimates and judgments are based on historical experience and other factors we consider reasonable, including expectations of future events. Information about estimating uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2023 is included in the following notes:

- Notes 4.7 and 4.10: Impairment test - Trade receivables, property, plant and equipment and intangible assets.
- Notes 4.5 and 4.6: Estimated useful lives and residual values of property, plant and equipment and intangible assets.
- Note 4.12: Estimate for Zakat expenses
- Note 18.2: Measurement of employee benefits obligations: significant actuarial assumptions.

4. MATERIAL ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.

In addition, the Group has adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material' rather than 'significant' accounting policies. Although the amendments did not result in any changes to the accounting policy but has impacted the accounting policy information disclosed in certain instances.

4.1 Classification of assets and liabilities to current and non-current

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

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

All other assets are classified as non-current

A liability is current when:

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

The Group classifies all other liabilities as non-current.

4.2 Fair Value Measurement

The Group measures its financial instruments at fair value at each reporting date. 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 for the asset or liability or the most advantageous market for the asset or liability.

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

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

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.3 Foreign currencies

Transactions and balances

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of profit or loss and other comprehensive income, respectively.

4.4 Revenue recognition

The Group receives revenue from the sales of goods to customers against orders received. The majority of contracts that the Group enters into relating to sales orders containing single performance obligation (PO) for the delivery of pharmaceutical and consumer healthcare products. The average duration of a sales order is less than 12 months.

Revenue is recognised when control of the goods is passed to the customer. The point at which control passes is determined by each customer arrangement, but generally occurs on delivery to the customer. Product revenue represents net invoice value including fixed and variable consideration. Variable consideration arises on the sale of goods as a result of discounts and allowances given and accruals for estimated future returns and rebates. Revenue is not recognised in full until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in the light of contractual and legal obligations, historical trends, experience, and projected market conditions. Once the uncertainty associated with the returns and rebates is resolved, revenue is adjusted accordingly.

Revenue from sales is recognized upon delivery or shipment of products to customers, and is recorded net of returns, trade discounts and volume rebates. Other income is recorded when earned.

A contract liability is recognised for expected returns, rebates and volume discounts in relation to sales made until the end of the reporting period.

Value-added tax and other sales taxes are excluded from revenue.

The Group has applied IFRS 15. Information about the Group’s accounting policies relating to contracts with customers is summarized below.

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15 and is given below:

Step 1 – Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met;

Step 2 – Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer;

Step 3 – Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties;

Step 4 – Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.4 Revenue recognition (continued)

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

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

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

For performance obligations where none of the above conditions are met, revenue is recognized at the point in time at which the performance obligation is satisfied.

4.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Subsequent expenditure incurred is capitalised only if it is probable that future economic benefits associated with the expenditure will flow to the entity. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss account as incurred.

Depreciation is calculated from the date the item of property and equipment is available for its intended use. It is calculated on a straight-line basis over the useful life of the asset as follows:

Asset category	Estimated useful life
Buildings	20
Machineries	8
Furniture and office equipment	4
Motor vehicles	4
Computers	4
Tools	8

The assets' residual values, useful lives and methods of depreciation are reviewed on an annual basis, and adjusted prospectively if appropriate, at each statement of financial position date.

Land and assets under construction, which are not ready for its intended use, are not depreciated.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognized.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 4.7).

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.6 Intangible assets

Intangible assets represent software implementation cost, the costs of developing formulas and products and other deferred charges. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Costs that are directly associated with identifiable software products and have probable economic benefit beyond one year are recognized as intangible assets. Costs associated with maintaining computer software products are recognized as an expense when incurred.

Intangible assets that are acquired by the Group and have finite lives are measured at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortised using the straight-line method over the estimated years of benefit. The estimated years of amortization of the principal classes of other intangible assets is as follows:

Asset category	Estimated useful life
Software and licenses	4 years to 10 years
Registered developed products	5 years

The amortisation expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss and other comprehensive income in the expense category consistent with the function of the intangible asset. Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually either individually or at the aggregated cash generating unit level.

Gains or losses arising from derecognizing an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognized.

4.7 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are combined at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or Group of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting year.

4.8 Inventories

Inventories, including goods available for sale and goods in transit are stated at the lower of cost and net realisable value.

Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

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

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.9 Cash and cash equivalents

Cash and cash equivalents include cash on hand and bank balances, with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4.10 Financial instruments

i- Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

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

ii- Classification and measurement of financial assets and financial liabilities

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.10 Financial instruments (continued)

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at Fair Value Through Profit and Loss (FVTPL)	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at Fair Value through Other Comprehensive Income (FVOCI)	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at Fair Value through Other Comprehensive Income (FVOCI)	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

The financial assets at amortised cost consist of trade receivables and cash and cash equivalents.

Financial Liabilities – Classification, subsequent measurement and gain and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gain and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its consolidated statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.10 Financial instruments (continued)

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Impairment of non-derivative financial assets

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost and contract assets. The Group measures loss allowances at an amount equal to lifetime ECLs. The allowance for expected credit losses on trade receivables is estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Trade accounts receivable are normally assessed collectively unless there is a need to assess a particular debtor on an individual basis.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 365 days past due from government and 180 days past due from commercial.

The Group considers a financial asset to be in default when:

– the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or

– the financial asset is past due as per terms of agreement with customers.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.10 Financial instruments (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
— significant financial difficulty of the debtor;
— a breach of contract such as a default or being more than 180 days past due;
— the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
— it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
— the disappearance of an active market for a security because of financial difficulties.

Presentation of impairment

Allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade and other receivables, including contract assets and finance lease receivables, are presented separately in the statement of profit or loss. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

4.11 Employee benefits and post-employment benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating leave and air fare that are expected to be settled wholly within twelve months, after the end of the year in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting year and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(ii) Post-employment obligation

The Group operates a single post-employment benefit scheme of defined benefit plans driven by the labor laws within the Kingdom of Saudi Arabia.

The post-employment benefits plans are not funded. Valuation of the obligations under those plans are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in the consolidated statement of profit or loss and other comprehensive income while unwinding of the liability at discount rates used are recorded as finance costs. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the year in which they occur, directly in other comprehensive income.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.12 Zakat

Zakat is provided in accordance with the Regulations of the Zakat, Tax and Customs Authority (ZATCA) in the Kingdom of Saudi Arabia on an accrual basis. The zakat expense is charged to the consolidated statement of profit or loss and other comprehensive income. Differences, if any, resulting from the final assessments are adjusted in the year of their finalization.

In calculating the zakat expense for the year, the Company adjusts its profit and applied certain deduction to its zakat base used to calculate the zakat expense. Where ZATCA assessments payable differ from the amounts recognised, such adjustments reflect changes in the estimated amounts to be paid to (recovered from) ZATCA. Unless there is an indication that the adjustment is the result of an error, such changes are recognised in consolidated statement profit or loss as a change in estimate.

4.13 Dividends

Interim dividends are recorded in the period in which they are approved by the Board of Directors. Furthermore, final dividends are recorded in the period in which they are approved by the shareholders' General Assembly

4.14 Cost of revenue

Cost of revenue includes direct costs of sales, including costs of materials and overheads directly attributable to revenue.

4.15 Selling and distribution expenses

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

4.16 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.

4.17 Value Added Tax ("VAT")

Revenues, expenses and assets are recognised 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 recognised 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 receivable from or payable to the ZATCA is included as part of prepayments and other current assets or other current liabilities, respectively, in the consolidated statement of financial position.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.18 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.

4.19 Borrowing

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income over the period of the borrowings using the effective interest method. Borrowings are removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The borrowings are classified as a current liability when the remaining maturity is less than 12 months.

4.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time, that is more than one year, to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. No borrowing costs are capitalised during idle periods. All other borrowing costs are recognised in the Consolidated Statement of Profit or Loss and Other comprehensive income in the period in which they are incurred.

4.21 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Consolidated Statement of Profit or Loss and Other comprehensive income net of any reimbursement.

4.22 Finance income and finance costs

The Group's finance income and finance costs include the following:
- Interest income
- Interest expenses

Interest income and expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:
- the gross carrying amount of the financial asset or
- the amortised cost of the financial liability

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.22 Leases

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

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset, this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
    - the Group has the right to operate the asset; or
    - the Group designed the asset in a way that predetermines how and for what purpose it will be used

As a lessee

Right of use assets
The Group recognises a right-of-use asset at the commencement date of the lease (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost. Subsequently, it is measured at cost less accumulated depreciation and impairment losses, if any, and adjusted for any re-measurement of lease liabilities.

The cost of right-of-use assets includes the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of costs to dismantle, less any lease incentive received. The estimated useful life of right-of use assets is determined on the same basis as those of property and equipment. The recognized right-of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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 and amounts expected to be paid under residual value guarantees, if any. The lease payments also include payments of penalties for terminating the lease, if any, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is 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).

(All amounts in Saudi Riyals unless otherwise stated)

4. MATERIAL ACCOUNTING POLICIES (CONTINUED)

4.23 Leases (continued)

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets.

4.24 Segmental Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. All operating segments' revenues are reviewed regularly by the Group's Board of Directors (Chief Operating Decision Makers) which in the Group's case is to make decisions about resources to be allocated to the segment and to assess its performance. The Group's operating segments are analysed and aggregated based on the nature of products and uniformity in the production processes.

5. STANDARD ISSUED BUT NOT YET EFFECTIVE

The following amended standards and interpretations are issued. These are not expected to have a significant impact on the Group's financial statements.

New currently effective requirement

1 January 2023	IFRS 17 Insurance Contracts, including amendments Initial Application of IFRS 17 and IFRS 9 – Comparative Information
	Disclosure Initiative: Accounting Policies – Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements
	Definition of Accounting Estimates – Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes
23 May 2023	International Tax Reform – Pillar Two Model Rules- Amendments to IAS 12

Forthcoming requirements

1 January 2024	Non-current liabilities with covenants – Amendments to IAS 1 Classification of Liabilities as Current or Non-current – Amendments to IAS 1
1 January 2024	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
1 January 2024	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7
1 January 2025	Lack of Exchangeability- Amendments to IAS 21
To be determined	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

The new and amended standards mentioned above are not expected to have a significant impact on the Group's consolidated financial statements.

6. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Cash on hand	**1,131,162**	168,565
Cash at banks – current accounts	**13,976,032**	23,622,277
Total	**15,107,194**	23,790,842

The management has conducted a review as required under IFRS 9 and based on such assessment; management believes that there is no need for any significant impairment loss against the carrying value of cash equivalents.

(All amounts in Saudi Riyals unless otherwise stated)

7. TRADE RECEIVABLES

	31 December 2023	31December 2022
Trade receivables	**162,047,834**	159,607,264
Less: Impairment loss on trade receivables	**(6,527,469)**	(8,033,376)
	155,520,365	151,573,888

Movement in the allowance for impairment in respect to trade receivables is as follows:

	31 December 2023	31 December 2022
Opening balance	**8,033,376**	7,903,376
(Reversal) /charge for the year	**(1,505,907)**	130,000
Closing balance	**6,527,469**	8,033,376

For financial assets measured at amortised cost (cash, cash equivalents and trade receivables) the fair value approximates the carrying amount.

8. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2023	31 December 2022
Advances to suppliers	**4,331,276**	4,737,344
Prepaid insurance	**2,281,382**	2,001,052
VAT refundable	**1,396,324**	2,166,351
Margin deposit on letters of credit and guarantee	**1,386,931**	1,428,976
Due from employees	**760,276**	987,076
Prepaid subscription fees	**662,357**	407,540
Prepaid iqama fees	**608,013**	998,680
Others	**937,778**	693,212
	12,364,337	13,420,231

9. INVENTORIES

	31 December 2023	31 December 2022
Finished products	**36,249,876**	36,883,268
Packaging materials	**26,057,837**	30,215,927
Raw materials	**18,820,746**	26,538,038
Consumable supplies	**6,700,338**	7,014,263
Spare parts inventory	**1,919,110**	1,507,428
Work-in-progress	**257,475**	295,472
	90,005,382	102,454,396
Less: Provision for Net Realizable Value (NRV) loss	**(2,835,021)**	(2,239,844)
Inventories, net	**87,170,361**	100,214,552

	31 December 2023	31 December 2022
Opening balance	**2,239,844**	626,023
Add: provision for NRV loss	**10,498,085**	9,520,608
Less: write off during the year	**(9,902,908)**	(7,906,787)
	595,177	1,613,821
Balance at the end of the year	**2,835,021**	2,239,844

(All amounts in Saudi Riyals unless otherwise stated)

10. PROPERTY, PLANT AND EQUIPMENT

	Lands	Buildings	Machineries	Furniture and office equipment	Motor vehicles	Computers	Tools	Assets under construction	Total
Cost:									
At 1 January 2023	10,192,286	86,530,679	28,656,654	6,210,557	5,938,284	4,943,616	11,244,861	17,333,906	171,050,843
Additions	5,512,500	2,591,347	2,465,643	303,140	437,000	821,581	925,940	7,777,393	20,834,544
Disposals	-	-	-	(3,328)	(124,628)	(18,878)	(150,000)	-	(296,834)
At 31 December 2023	**15,704,786**	**89,122,026**	**31,122,297**	**6,510,369**	**6,250,656**	**5,746,319**	**12,020,801**	**25,111,299**	**191,588,553**
Accumulated depreciation:									
At 1 January 2023	-	19,740,591	25,558,410	4,902,026	3,613,611	3,624,061	7,750,361	-	65,189,060
Charge for the year	-	4,350,595	763,781	371,369	609,822	665,313	846,492	-	7,607,372
Disposals	-	-	-	(3,316)	(124,628)	(8,111)	(150,000)	-	(286,055)
At 31 December 2023	**-**	**24,091,186**	**26,322,191**	**5,270,079**	**4,098,805**	**4,281,263**	**8,446,853**	**-**	**72,510,377**
Net book value:									
At 31 December 2023	**15,704,786**	**65,030,840**	**4,800,106**	**1,240,290**	**2,151,851**	**1,465,056**	**3,573,948**	**25,111,299**	**119,078,176**

(All amounts in Saudi Riyals unless otherwise stated)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land	Buildings	Machineries	Furniture and office equipment	Motor vehicles	Computers	Tools	Assets under construction	Total
Cost:									
At 1 January 2022	10,192,286	54,192,138	27,457,416	6,429,806	4,010,721	4,365,051	10,688,766	46,004,198	163,340,382
Additions	-	487,517	-	334,829	22,044	5,410	33,799	8,693,470	9,577,069
Disposals	-	(255,075)	(68,135)	(753,614)	(448,680)	(141,414)	(199,690)	-	(1,866,608)
Transfers (note 10.2)	-	32,106,099	1,267,373	464,536	2,354,199	714,569	456,986	(37,363,762)	-
Reclassification	-	-	-	(265,000)	-	-	265,000	-	-
At 31 December 2022	10,192,286	86,530,679	28,656,654	6,210,557	5,938,284	4,943,616	11,244,861	17,333,906	171,050,843
Accumulated depreciation:									
At 1 January 2022	-	16,722,919	23,959,400	5,254,288	3,619,808	3,226,507	7,102,759	-	59,885,681
Charge for the year	-	3,093,729	1,631,275	384,287	359,726	537,653	834,291	-	6,840,961
Disposals	-	(76,057)	(32,265)	(723,590)	(365,923)	(140,099)	(199,648)	-	(1,537,582)
Reclassification	-	-	-	(12,959)	-	-	12,959	-	-
At 31 December 2022	-	19,740,591	25,558,410	4,902,026	3,613,611	3,624,061	7,750,361	-	65,189,060
Net book value:									
At 31 December 2022	10,192,286	66,790,088	3,098,244	1,308,531	2,324,673	1,319,555	3,494,500	17,333,906	105,861,783

10.1 Depreciation has been allocated as follows:

	31 December 2023	31 December 2022
Cost of revenue (Note 23)	**4,202,413**	3,988,064
General and administrative expenses (Note 26)	**2,285,376**	2,182,731
Selling and distribution expense (Note 25)	**1,119,583**	670,166
	7,607,372	6,840,961

10.2 Assets under construction include the new warehouse for storage of raw materials and finished goods inventories. They also include expansion of existing factory, and machineries under commissioning process to increase the production capacity. During 2022, the new warehouse became operational. The expansion of the existing factory is expected to be completed by the next financial year ending 31 December 2024.

10.3 The Group's headquarters building (title deeds number 610124040243 and 810124040242) with a book value of SAR 19,322,800, is currently mortgaged to local bank as a loan security (Note 14).

10.4 Additions for the assets under construction include capitalized borrowing cost of SAR 177,018 (2022: SAR 351,819).

(All amounts in Saudi Riyals unless otherwise stated)

11. INTANGIBLE ASSETS

	Software and licenses	**Registered developed products**	**Total**
Cost:			
1 January 2023	9,462,179	46,445,684	55,907,863
Additions	114,335	10,021,274	10,135,609
Write-offs	-	(453,761)	(453,761)
At 31 December 2023	**9,576,514**	**56,013,197**	**65,589,711**
Accumulated amortisation:			
1 January 2023	3,808,485	10,611,924	14,420,409
Charge for the year	972,721	3,345,600	4,318,321
At 31 December 2023	**4,781,206**	**13,957,524**	**18,738,730**
Net book value:			
At 31 December 2023	**4,795,308**	**42,055,673**	**46,850,981**
Cost:			
1 January 2022	8,681,321	36,251,826	44,933,147
Additions	780,858	10,250,108	11,030,966
Write-offs	-	(56,250)	(56,250)
At 31 December 2022	9,462,179	46,445,684	55,907,863
Accumulated amortization:			
1 January 2022	2,939,601	7,701,739	10,641,340
Charge for the year	868,884	2,910,185	3,779,069
At 31 December 2022	3,808,485	10,611,924	14,420,409
Net book value:			
At 31 December 2022	5,653,694	35,833,760	41,487,454

11.1 Amortisation has been allocated as follows:

	2023	2022
General and administrative expenses (Note 26)	**4,302,491**	3,761,849
Cost of revenue (Note 23)	**13,001**	17,220
Selling and distribution expenses (Note 24)	**2,829**	-
	4,318,321	3,779,069

(All amounts in Saudi Riyals unless otherwise stated)

12. EQUITY INVESTMENTS

The Group designated the investments shown below as equity securities at FVOCI because these equity securities represent investments that the Group intends to hold for the long-term for strategic purposes.

		31 December 2023	31 December 2022
Equity investments in:			
- Cannabist Company Holdings Inc. (formerly known as "Columbia Care Inc.")	*(12.1)*	**1,324,434**	2,207,390
- Nuha Consultancy	*(12.2)*	**-**	1,090,816
- Emulsion Cosmetics Limited	*(12.2)*	**-**	307,245
		1,324,434	3,605,451

Movement in equity investments:

	Cannabist Company Holdings Inc.	**Nuha Consultancy**	**Emulsion Cosmetics Limited**	**Total**
Balance at 1 January 2023	**2,207,390**	**1,090,816**	**307,245**	**3,605,451**
Less: Net change in fair value for the year	**(882,956)**	**-**	**-**	**(882,956)**
Less: Disposal of investment	**-**	**(1,090,816)**	**(307,245)**	**(1,398,061)**
Balance at 31 December 2023	**1,324,434**	**-**	**-**	**1,324,434**

	Cannabist Company Holdings Inc.	Nuha Consultancy	Emulsion Cosmetics Limited	Total
Balance at 1 January 2022	8,417,517	1,090,816	307,245	9,815,578
Less: Net change in fair value for the year	(6,210,127)	-	-	(6,210,127)
Balance at 31 December 2022	2,207,390	1,090,816	307,245	3,605,451

12.1 Cannabist Company Holdings Inc. (formerly known as "Columbia Care Inc.")

a) On 28 July 2020, the Company purchased 5% shares in Columbia Care International Hold Co LLC ("CCIH") in consideration for EUR 5,000,000 (equivalent to SAR 21,485,620), which approximates the fair value as on 31 December 2020.

b) On 12 March 2021, a share redemption agreement ("the agreement") was entered by the Company with following parties:

i. Columbia Care International Hold Co LLC ("CCIH"), a Delaware limited liability company;
ii. Cannabist Company Holdings Inc. ("CCHI") (formerly "Columbia Care Inc."), a company listed on NEO Exchange, Canada; and
iii. Columbia Care LLC ("CC"), a Delaware limited liability company and a wholly owned subsidiary of CCHI.

Under the agreement, the 5% shares of CCIH, owned by the Company, were exchanged for 783,805 shares of CCHI at the 20-days Volume Weighted Average Price (WAP) price of CAD 7.95 per share, totaling CAD 6,231,250 (equivalent to SAR 18,729,163).

c) At 31 December 2023, the market price of CCHI share was USD 0.45 per share, which resulted into a fair value loss amounting to SAR 882,956. (Loss for year ended 31 December 2022: SAR 6,210,127).

The management uses level one of fair value hierarchy which is observable share price as a valuation technique.

(All amounts in Saudi Riyals unless otherwise stated)

12. EQUITY INVESTMENTS (CONTINUED)

12.2 *Nuha Consultancy and Emulsion Cosmetics Limited*

Nuha Consultancy, incorporated in British Virgin Island and Emulsion Cosmetics Limited, incorporated in England and Wales, are engaged in retail sale of cosmetic and toilet articles in specialized stores.

During March 2020, Avalon Cosmetics Limited, an indirect fully owned subsidiary of the Company (refer Note 1), has purchased 15% shares each in Nuha Consultancy and Emulsion Cosmetics Limited, for a total consideration of SAR 1,090,816 and SAR 140,754, respectively.

On 8 April 2021 and 21 December 2021, Avalon Cosmetics Limited has contributed an additional capital amounting to SAR 73,352 and SAR 93,139, respectively in Emulsion Cosmetics Limited. Accordingly, as at 31 December 2022, investment in Emulsion Cosmetics Limited was SAR 307,245.

On 24 October 2023, Avalon Cosmetics entered into a settlement agreement with the shareholder of Emulsion Cosmetics Limited and Nuha Consultancy for the latter to purchase at a nominal amount of SAR 4,802, the shareholdings of Avalon Cosmetics. Accordingly, the aggregated loss for the year ended 31 December 2023 is SAR 1,393,259 (31 December 2022 SAR nil).

13. SHORT-TERM LOANS

The Group has obtained Murabahah and Musharika financing from various commercial banks at agreed commercial rates. The balance outstanding are as follow:

	31 December 2023	31 December 2022
Opening balance	**69,130,087**	66,436,956
Proceeds from loans during the year	**174,133,276**	121,941,974
Repayments during the year	**(192,990,717)**	(119,248,843)
Closing balance	**50,272,646**	69,130,087

The local bank loans are secured by personal guarantees from the Group's shareholders.

Financial charges rates on loans range between 1.50% to 2.25%+SAIBOR

14. LOANS AND BORROWINGS

The long-term loan was taken from a local bank and is secured by personal guarantees of the Group's shareholders and the Group's headquarters building with a book value of SAR 19,322,800. Long-term loan bears commission at agreed commercial rates which is SAIBOR plus 1.75% p.a. payable in thirteen equal quarterly instalments beginning September 2022.

Movement of the long-term loans is as follows:

	31 December 2023	31 December 2022
Opening balance	**15,844,840**	20,598,291
Repayments during the year	**(6,337,936)**	(4,753,451)
Closing balance	**9,506,904**	15,844,840

Based on the loan repayment schedules, the outstanding balances as at year end are as follow:

	31 December 2023	31 December 2022
Current portion	**6,337,936**	6,337,936
Non-current portion	**3,168,968**	9,506,904
	9,506,904	15,844,840

(All amounts in Saudi Riyals unless otherwise stated)

15. TRADE PAYABLES

	31 December 2023	31 December 2022
Local suppliers	**12,165,133**	20,508,413
Foreign suppliers	**15,876,395**	17,445,844
	28,041,528	37,954,257

For financial liabilities measured at amortised cost (Trade payables, short-term loan and loans and borrowings) the fair value approximates the carrying amount.

16. ACCRUALS AND OTHER CURRENT LIABILITIES

	31 December 2023	31 December 2022
Salaries and related benefits	**10,759,863**	6,561,792
Advances from customers	**4,083,313**	1,166,787
Finance cost relating to Murabaha	**2,224,345**	807,470
Marketing and advertising	**1,890,665**	1,205,950
Board and committee members remuneration	**1,770,000**	1,150,000
Due to employees	**1,420,686**	352,699
Professional fees	**736,935**	829,175
Others	**271,910**	509,738
	23,157,717	12,583,611

17. ZAKAT PAYABLE

17.1 Zakat expenses

As at the statement of financial position date, Zakat base was calculated based on the financial statements of the Company, as follows:

	31 December 2023	31 December 2022
Shareholders' equity at beginning of year	**268,633,224**	245,181,472
Adjusted net income	**86,580,485**	66,293,516
Additions	**57,846,001**	58,028,093
Deductions	**(192,778,934)**	(148,638,048)
Total (Zakat base)	**220,280,776**	220,865,033
Zakat at 2.5% (higher of adjusted net income or Zakat base)	**5,610,883**	5,521,626
Additional provision for the year	**-**	49,691
Zakat expense for the year	**5,610,883**	5,571,317

17.2 Zakat provision

Movement in Zakat provision for the year is as follows:

	31 December 2023	31 December 2022
Balance at beginning of the year	**5,586,592**	4,790,776
Provision for zakat for the year	**5,610,883**	5,571,317
	11,197,475	10,362,093
Payments made during the year	**(5,772,127)**	(4,775,501)
Balance at end of the year	**5,425,348**	5,586,592

17.3 Status of Zakat assessment

Zakat, Tax and Customs Authority ("ZATCA") issued the last final assessment for the year ended 31 December 2022, and the Company has paid all the amounts based on the final assessment.

(All amounts in Saudi Riyals unless otherwise stated)

18. EMPLOYEE BENEFITS

The Group operates a defined benefit plan in line with the labor law requirements applicable in the Kingdom of Saudi Arabia. The payments under this plan are based on the employees' final salaries, allowances and their cumulative years of service at the date of their termination of employment.

All Group's employees' termination benefit plans are unfunded.

18.1 Amounts in the statement of financial position

The amounts recognized in the consolidated statement of financial position and the movements in the defined benefit obligation are as follows:

	31 December 2023	31 December 2022
Opening balance present value of defined benefit obligation	**24,066,038**	19,597,533
Recognised in the consolidated statement of profit or loss		
Current service cost	**1,762,439**	2,115,348
Interest cost	**1,064,521**	747,373
	2,826,960	2,862,721
Recognised in the consolidated statement of comprehensive income		
Actuarial loss	**1,425,243**	3,701,639
Settlements during the year	**(3,236,970)**	(2,095,855)
Present value of defined benefit obligation	**25,081,271**	24,066,038
Advances paid against benefits	**(2,986,187)**	(2,986,187)
Closing balance	**22,095,084**	21,079,851

18.2 Significant actuarial assumptions

The significant actuarial assumptions used were as follows:

	31 December 2023	31 December 2022
Economic assumptions:		
Discount Rate	**4.50%**	4.50%
Salary increases rate (long-service)	**5%**	5%
Rates of employee turnover	**15%**	15%
Demographics assumptions		
Number of employees	**543**	533
Average age of employees (years)	**36.80**	36.44
Average years of past service	**5.79**	5.64
Retirement age	**60**	60

18.3 Sensitivity analysis

The sensitivity of the defined benefit obligations to changes in the weighted principal assumptions made in the calculation is:

	Change in assumption	**31 December 2023 (net liability)**	31 December 2022 (net liability)
Long term salary increases	0.5% Decrease	**24,534,672**	23,521,869
	0.5% Increase	**25,647,862**	24,631,226
Discount rate	0.5% Decrease	**25,671,401**	24,660,280
	0.5% Increase	**24,518,112**	23,500,320

(All amounts in Saudi Riyals unless otherwise stated)

19. RELATED PARTIES TRANSACTIONS

Related parties include subsidiary companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties.

Transactions with related parties carried out during the year, in the normal course of business, are approved by Group management. The transactions and balances with related parties are as follows:

19.1 Due from related parties

Related party	Relationship	Nature of transactions	Transactions for the year-ended		Balance as at	
			31 December 2023	31 December 2022	**31 December 2023**	31 December 2022
Shareholders*	Shareholders	Payments of IPO costs on behalf of the shareholders	**6,153,114**	1,273,715	**7,482,902**	1,329,788
Mr. Ahmed Shaher Tabbaa	Ultimate controlling party	Advances	**(949,814)**	-	**-**	949,814
Emulsion Cosmetics Limited	Investee	Advances	**(219,068)**	-	**-**	219,068
			4,984,232	1,273,715	**7,482,902**	2,498,670

* The Group has paid initial public offer (IPO) costs on behalf of all the shareholders in their respective ownership as mentioned in note 20. Subsequent to the year end, in the month of February 2024, the IPO costs have been settled by the shareholders.

19.2 Compensation and benefits to key managements personnel:

	31 December 2023	31 December 2022
Short-term employee benefits	**12,220,051**	12,274,560
Employees' defined benefits obligations	**554,670**	1,062,605
Total compensation and benefits to key managements personnel	**12,774,721**	13,337,165

The compensation and benefits to key management personnel, included in salaries and other related benefits, are allocated as follows:

	31 December 2023	31 December 2022
General and administrative expenses	**8,014,219**	9,136,533
Cost of revenue	**1,914,849**	2,426,247
Selling and distribution expense	**2,845,653**	1,774,385
Total	**12,774,721**	13,337,165

(All amounts in Saudi Riyals unless otherwise stated)

20. SHARE CAPITAL

	No. of shares	Par value	Total
31 December 2023	**20,000,000**	**10.00**	**200,000,000**
31 December 2022	20,000,000	10.00	200,000,000

On 1 May 2023, Mr. Ahmed Shaher Tabbaa, Chairman of the Board of Directors, who owns 60.25% of the Company's shares, transferred his ownership to Tabbaa National Holding Company. On the same date, Mr. Faisal Al Jaman, who owns 3.75% of the Company's shares, transferred his 1.25% shares to Dorrat Al-Faisal Investment Company and 2.5% shares to Dorra Al-Wadaa Investment Company. As a result, the Company's shareholders and their shareholdings at 31 December 2023 are as follow:

Name of shareholders	No. of shares	Value (SAR)	Percentage (%)
Tabbaa National Holding Company	**12,050,000**	**120,500,000**	**60.25**
Mr. Talal Yousef Mahmoud Zahid	**4,200,000**	**42,000,000**	**21.00**
Mr. Ali Shahir Tabbaa	**1,320,000**	**13,200,000**	**6.60**
Mr. Faisal Shahir Tabbaa	**1,280,000**	**12,800,000**	**6.40**
Dorra Al-Wadaa Investment Company	**500,000**	**5,000,000**	**2.50**
Mr. Yousef Talal Zahid	**400,000**	**4,000,000**	**2.00**
Dorrat Al-Faisal Investment Company	**250,000**	**2,500,000**	**1.25**
	20,000,000	**200,000,000**	**100.00**

On 20 Rajab 1443H (corresponding to 21 February 2022), the authorized and paid-up share capital was increased to SAR 200 million divided into 20 million shares of SAR 10 each. The increase in share capital amounting to SAR 140,000,000 was done out of retained earnings. All legal proceedings were completed in this respect.

As at December 2022, a list of the Company's shareholders and their shareholding is as follows:

Name of shareholders	No. of shares	Value (SAR)	Percentage (%)
Mr. Ahmed Shaher Tabbaa	12,050,000	120,500,000	60.25
Mr. Talal Yousef Mahmoud Zahid	4,200,000	42,000,000	21.00
Mr. Ali Shahir Tabbaa	1,320,000	13,200,000	6.60
Mr. Faisal Shahir Tabbaa	1,280,000	12,800,000	6.40
Mr. Faisal Al Jaman	750,000	7,500,000	3.75
Mr. Yousef Talal Zahid	400,000	4,000,000	2.00
	20,000,000	200,000,000	100.00

Subsequent to the yearend, the Company has been listed in Saudi Stock Exchange (Tadawul) during the month of February 2024.Accordingly, 30% shares have been offered to financial institutions and public in the IPO. These shares were allocated from existing shareholders in their proportionate ownership.

21. DIVIDENDS

During the current year, the Board of Directors approved and paid interim dividends amounting to SAR 36,000,000 (31 December 2022: SAR 36,347,454). The interim dividends for the period ended 31 December 2023, will be endorsed by the general assembly in their next annual general meeting.

	2023	2022
Shareholders' dividends	**36,000,000**	36,347,454
	36,000,000	36,347,454

(All amounts in Saudi Riyals unless otherwise stated)

22. REVENUE

The breakdown of revenue by **customer type** is as follows:

	31 December 2023	31 December 2022
Revenue from:		
Retail customers	**228,835,825**	207,967,773
Public customers*	**72,386,460**	68,583,501
Export customers	**37,217,419**	26,110,944
	338,439,704	302,662,218

** Public customers revenue includes revenue under Wasfaty Program.*

Revenue is recognised at a point in time at which the performance obligation is satisfied.

The revenue is disclosed net of provision for sales return. During the year ended 31 December 2023, the Management has revisited the estimate for sales return provision based on current and historical patterns. The Management has re-assessed the opening balance of sales return provision and recorded SAR 1,126,432 in consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023.

The table below represents the segregation of revenue by **geographical market.**

	31 December 2023	31 December 2022
Local	**301,222,285**	276,551,274
Export	**37,217,419**	26,110,944
	338,439,704	302,662,218

23. COST OF REVENUE

	31 December 2023	31 December 2022
Beginning inventory of finished products (Note 9)	**36,883,268**	24,110,731
Add: Direct purchases	**6,150,353**	3,282,777
Add: Cost of goods manufactured:		
Packing materials cost	**42,369,371**	44,730,320
Raw materials cost	**39,708,864**	39,103,491
Indirect labor	**16,527,212**	17,120,376
Direct labor	**8,789,419**	7,255,893
Depreciation (Note 10.1)	**4,202,413**	3,988,064
Amortization (Note 11.1)	**13,001**	17,220
Other Overheads	**12,676,033**	15,645,797
Total cost of goods manufactured	**124,286,313**	127,861,161
Less: closing inventory of finished products (Note 9)	**(36,249,876)**	(36,883,268)
	131,070,058	118,371,401

24. OTHER (EXPENSES)/ INCOME

	31 December 2023	31 December 2022
Foreign exchange (loss)/gain	**(470,430)**	271,075
Gain on disposal of property, plant and equipment	**126,025**	77,161
Other income	**(87,194)**	(179,870)
	(431,599)	168,366

(All amounts in Saudi Riyals unless otherwise stated)

25. SELLING AND DISTRIBUTION EXPENSES

	31 December 2023	31 December 2022
Salaries and other related benefits	**30,009,532**	25,675,782
Marketing and advertising expenses	**21,241,778**	19,294,395
Housing and accommodation expenses	**7,347,002**	6,735,273
Freight charges	**5,426,694**	5,373,541
Employees' transportation allowance	**3,272,680**	3,146,262
Travelling expenses	**2,635,233**	1,776,892
Legal and government fees	**1,611,379**	1,197,650
Employees' GOSI expenses	**1,551,297**	1,492,474
Employees' medical insurance	**1,459,518**	1,277,975
Employees' visa and iqama expenses	**1,143,541**	956,834
Depreciation (Note 10.1)	**1,119,583**	670,166
Amortisation (Note 11.1)	**2,829**	-
Others	**3,800,512**	2,822,639
	80,621,578	70,419,883

26. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2023	31 December 2022
Salaries and other related benefits	**15,478,372**	15,246,133
Professional fees*	**4,584,952**	2,398,508
Amortisation (Note 11.1)	**4,302,491**	3,761,849
Housing and accommodation expenses	**3,908,960**	3,470,361
Communication expenses	**3,360,135**	2,950,338
Depreciation (Note 10.1)	**2,285,376**	2,182,731
Legal and government fees	**1,991,863**	1,665,470
Office expenses	**1,860,088**	1,024,550
Board and committee members remuneration	**1,710,000**	1,150,000
Fees on letter of guarantee / credit	**1,352,615**	1,384,252
Employees' transportation allowance	**1,079,886**	1,001,377
Employee GOSI expenses	**1,070,381**	1,117,739
Employees' medical insurance	**957,180**	878,654
Travelling expenses	**714,570**	848,599
Repairs and maintenance	**326,274**	842,261
Others	**4,589,570**	3,481,919
	49,572,713	43,404,741

* This includes expense pertaining to Company's external auditor for the year ended 31 December 2023 amounting to SAR 819,500 (31 December 2022: SAR 525,000) against services rendered for annual audit and interim reviews.

27. FINANCE COSTS

	31 December 2023	31 December 2022
Finance cost relating to Murabaha loan	**5,746,910**	4,734,120
Net interest cost: Employees' defined benefits obligations *(note 18.1)*	**1,064,521**	747,373
Total	**6,811,431**	5,481,493

(All amounts in Saudi Riyals unless otherwise stated)

28. FINANCIAL INSTRUMENTS FAIR VALUES AND RISK MANAGEMENT

Accounting classification and fair values
The carrying amount of financial assets and financial liabilities is a reasonable approximation of the respective financial assets and financial liabilities fair value.

Financial risk management
The Group has exposure to the following risk arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

A reversal of allowance for impairment loss of SAR 1,505,907 on financial assets was recognised in the consolidated financial statements during the year ended 31 December 2023 as per ECL provision. Whereas, for the year ended 31 December 2022 an additional allowance for impairment loss of SAR 130,000 was recognised.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry in which the customers operate.

The Group a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered to the customer. Management ensures that sales made to customers are within the respective customers' credit limit.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of six months for its customers.

In monitoring customer credit risk, customers are combined according to their credit characteristics, including whether they are retail, public or export customers; their geographic location; and the existence of previous and current financial difficulties.

The credit risk of bank balances is limited as cash balances are held with banks with sound credit ratings ranging from BBB+ to A+.

The exposure to credit risk for trade receivables by type of counterparty was as follows:

	Carrying amount	
	31 December 2023	31 December 2022
Private customers	**95,824,785**	76,439,435
Public customers*	**52,347,474**	77,106,427
Export customers	**13,875,575**	6,061,402
Total gross carrying amount	**162,047,834**	159,607,264
Less: provision for expected credit loss	**(6,527,469)**	(8,033,376)
Total net carrying amount	**155,520,365**	151,573,888

(All amounts in Saudi Riyals unless otherwise stated)

28. FINANCIAL INSTRUMENTS FAIR VALUES AND RISK MANAGEMENT(CONTINUED)

i) Credit risk (Continued)

The ageing of trade receivables that were past due but not impaired and trade receivables due and impaired is as follows:

	31 December 2023	31 December 2022
Due but not impaired	**155,520,365**	151,573,888
Due and impaired	**6,527,469**	8,033,376
	162,047,834	159,607,264

The Group uses an allowance matrix to measure expected credit losses (ECLs) of trade receivables from individual customers, which comprise a very large number of small balances. Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency to write off. These rates are multiplied by scalar factors to reflect differences in economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Any customers wherein there is specific indicators or factors which lead management to believe that the recovery of the amount is doubtful are provided for separately. The following table provides information about the exposure to credit risk for trade receivables:

		31 December 2023	
	Weighted-average loss rate	***Gross carrying amount***	***Impairment loss allowance***
Current (not past due)	**0.00%**	**119,555,332**	**-**
1 to 30 past due	**1.12%**	**918,373**	**(10,304)**
31 to 60 past due	**10.06%**	**783,506**	**(78,807)**
61 to 90 past due	**21.71%**	**328,788**	**(71,389)**
91 to 180 past due	**26.69%**	**1,267,174**	**(338,225)**
181 to 365 past due	**15.15%**	**2,623,612**	**(397,593)**
More than 365 past due	**15.40%**	**36,571,049**	**(5,631,151)**
		162,047,834	**(6,527,469)**

		31 December 2022	
	Weighted-average loss rate	*Gross carrying amount*	*Impairment loss allowance*
Current (not past due)	0.00%	102,329,976	-
1 to 30 past due	1.28%	4,029,105	(51,551)
31 to 60 past due	8.01%	2,406,123	(192,846)
61 to 90 past due	17.51%	1,402,258	(245,555)
91 to 180 past due	14.21%	3,482,332	(494,844)
181 to 365 past due	10.90%	9,497,396	(1,035,335)
More than 365 past due	16.49%	36,460,074	(6,013,245)
		159,607,264	(8,033,376)

28. FINANCIAL INSTRUMENTS FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Group's future commitments. The following are the contractual maturities at the end of the reporting period of financial liabilities. The amounts are grossed and undiscounted and include estimated financing cost relating to Murabaha payments except for the long-term loans where the borrowing cost paid during the year totaling to SAR 1,060,703 was capitalised as part of the cost of the newly built warehouse of the Group. The amounts are grossed and undiscounted and include estimated financing costs relating to Murabaha payments.

	31 December 2023			
	Carrying Amount	***Less than 1 year***	***1 year to 5 years***	***More than 5 years***
Liabilities				
Loans and borrowings	**9,506,904**	**6,731,156**	**3,234,186**	**-**
Short term loans	**50,272,646**	**51,203,246**	**-**	**-**
Trade payables	**28,041,528**	**28,041,528**	**-**	**-**
Accruals and other current liability	**19,074,404**	**19,074,404**	**-**	**-**
TOTAL	**106, 895,482**	**105,050,334**	**3,234,186**	**-**

	31 December 2022			
	Carrying Amount	*Less than 1 year*	*1 year to 5 years*	*More than 5 years*
Liabilities				
Loans and borrowings	15,844,840	7,078,747	9,965,342	-
Short term loans	69,130,087	70,936,185	-	-
Trade payables	37,954,257	37,954,257	-	-
Accruals and other current liabilities	11,416,824	11,416,824	-	-
TOTAL	134,346,008	127,386,013	9,965,342	-

iii) Market risk

Market risk is the risk that changes in the market prices – such as foreign exchange rates and commission rates– will affect the Group's income or the value of its holdings of financial instruments.

Currency risk

This is a risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that's not the Group's functional currency. The Group has transactions denominated in Euros, U.S. dollars, Great Britain Pounds, Swiss Francs, United Arab Emirates Dirhams and Bahrain Dinar. Management monitors the fluctuations in currency exchange rates, and the effect of the currency fluctuation has been accounted for in the consolidated financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

28. FINANCIAL INSTRUMENTS FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

iii) Market risk (continued)

Currency risk (continued)

At the end of the year, the Group had the following significant net currency exposures in foreign currencies. Presented below are the monetary assets (liabilities), net in foreign currencies:

Foreign currency exposures	**31 December 2023**	31 December 2022
United States Dollar	**1,563,986**	331,396
Euro	**(662,561)**	(836,237)
Great Britain Pound	**(46,128)**	(267,980)
UAE Dirham (AED)	**(504,479)**	(1,056,074)
Swiss Franc	**-**	(28,008)
Bahrain Dinar	**(1,805)**	-

Given the fact that the Saudi Riyal is pegged to the US Dollar and the historic performance of the US Dollar against the other currencies listed above, coupled with the values in each respective foreign currency, the Group does not have significant exposure to fluctuations in foreign currencies.

29. SEGMENT

The Board of Directors (BOD), which has been identified as the Chief Operating Decision Maker (CODM), monitors the operating results of its reportable segments separately to make decisions about resource allocation and performance assessment. Transactions between the operating segments are on terms approved by the management.

The Group has three (3) operating segments: Private, Public and Export. The Group's 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.

Performance is measured by the CODM based on revenue as reported in the management accounts. Management believes that this measure is the most relevant in evaluating the Group. As such, expenses, assets and liabilities related to segments are neither included in the internal management reports nor provided regularly to the management.

(All amounts in Saudi Riyals unless otherwise stated)

29. SEGMENT (CONTINUED)

The following table presents information for the Group's operating segments for the year ended 31 December 2023 and 31 December 2022, respectively.

Year ended 31 December 2023	**Retail customers**	**Public customers***	**Export customers**	***Total***
Revenue	**228,835,825**	**72,386,460**	**37,217,419**	**338,439,704**
Unallocated income (expenses)				
Cost of revenue				**(131,070,058)**
Selling and distribution expenses				**(80,621,578)**
General and administrative expenses				**(49,572,713)**
Reversal of impairment loss on trade receivable				**1,505,907**
Other expenses				**(431,599)**
Finance costs				**(6,811,431)**
Profit before zakat				**71,438,232**
Zakat expense				**(5,610,883)**
Profit for the year				**65,827,349**

Year ended 31 December 2022	Retail customers	Public customers*	Export customers	*Total*
Revenue	207,967,773	68,583,501	26,110,944	302,662,218
Unallocated income (expenses)				
Cost of revenue				(118,371,401)
Selling and distribution expenses				(70,419,883)
General and administrative expenses				(43,404,741)
Impairment loss on trade receivable				(130,000)
Other income				168,366
Finance costs				(5,481,493)
Profit before zakat				65,023,066
Zakat expense				(5,571,317)
Profit for the year				59,451,749

** Public customers revenue includes revenue under Wasfaty Program.*

(All amounts in Saudi Riyals unless otherwise stated)

30. COMMITMENTS AND CONTINGENCIES

	31 December 2023	31 December 2022
Letters of credit (30.1)	**19,077,378**	36,063,782
Letters of guarantee (30.2)	**14,618,306**	3,002,770
	33,695,684	39,066,552

30.1 The letters of credit are contractual commitments by the Group's bank to pay once the export suppliers ship the goods and presents the required documentation to the exporter's bank as proof. The amount shown above is the total letters of credit issued and outstanding from the Group's facilities with banks.

30.2 The letters of guarantee are the commitments or performance bond of the Group attached to its obligations to the Government deliveries to ensure compliance with terms and conditions of its Government obligations. The amount shown above is the total letters of guarantee issued and outstanding from the Group's bank facilities.

31. EARNINGS PER SHARE (EPS)

Basic and diluted earnings per share are based on the net profit for the year ended 31 December 2023 and 2022 divided by a weighted average number of shares.

	31 December 2023	31 December 2022
Profit for the year	**65,827,349**	59,451,749
Weighted average number of shares outstanding during the year	**20,000,000**	20,000,000
Basic and diluted earnings per share	**3.29**	2.97

The face value of existing shares was changed on 21 February 2022 from SAR 750 per share to SAR 10 per share and the Company increased the number of shares by 14,000,000 on 21 February 2022 out of retained earnings.

32. EVENTS AFTER THE REPORTING DATE

Subsequent to the year ended 31 December 2023, the Company listed its shares in Saudi Stock Exchange ("Tadawul") on 27 February 2024.

Except for the above, there have been no other significant subsequent events since the balance sheet date that would have a material impact on these consolidated financial statements.

33. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors for issuance on 14 Ramadan 1445H corresponding to 24 March 2024.