

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

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT**

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

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

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022**

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF AL NAHDI MEDICAL COMPANY (A SAUDI JOINT STOCK COMPANY)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al Nahdi Medical Company (A Saudi Joint Stock Company) (the "Company") and its subsidiaries (collectively referred to as "the Group") as at 31 March 2022, and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended, and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Other matter

The interim condensed consolidated financial statements of the Group for three-month period ended 31 March 2021 were reviewed by another auditor who expressed an unmodified review conclusion on those interim condensed consolidated financial statements on 30 May 2021.

for Ernst & Young Professional Services

Abdullah Ali AlMakrami
Certified Public Accountant
License No. 476

Jeddah: 21 Shawwal 1443H
22 May 2022



Al Nahdi Medical Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)

As at 31 March 2022

(Expressed in Saudi Riyals unless otherwise stated)

	Note	31 March 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	4	894,761,663	885,639,645
Investment properties	5	230,085,000	230,085,000
Intangible assets		45,502,561	44,206,156
Right-of-use assets	6	1,277,971,575	1,327,618,022
TOTAL NON-CURRENT ASSETS		2,448,320,799	2,487,548,823
CURRENT ASSETS			
Inventories	7	1,320,027,317	1,116,481,902
Trade receivables	8	148,332,842	140,283,118
Prepayments and other current assets		186,596,490	141,566,282
Cash and cash equivalents	9	785,609,594	401,044,447
TOTAL CURRENT ASSETS		2,440,566,243	1,799,375,749
TOTAL ASSETS		4,888,887,042	4,286,924,572
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	10	1,300,000,000	1,300,000,000
Statutory reserve		191,164,445	191,164,445
Retained earnings		349,350,216	112,615,756
Foreign currency translation reserve		(390,993)	(184,702)
TOTAL SHAREHOLDERS' EQUITY		1,840,123,668	1,603,595,499
NON-CURRENT LIABILITIES			
Lease liabilities	6	1,161,947,894	991,642,150
Accruals and other non-current liabilities		8,819,165	19,094,000
Employee benefit liabilities	11	399,759,561	386,732,043
TOTAL NON-CURRENT LIABILITIES		1,570,526,620	1,397,468,193
CURRENT LIABILITIES			
Trade payables		978,056,982	483,995,057
Lease liabilities – current portion	6	129,772,001	367,415,040
Accruals and other current liabilities		263,659,022	337,577,035
Zakat provision	12	106,748,749	96,873,748
TOTAL CURRENT LIABILITIES		1,478,236,754	1,285,860,880
TOTAL LIABILITIES		3,048,763,374	2,683,329,073
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		4,888,887,042	4,286,924,572

APPROVED BY:

Abdullah Al Nahdi
DEPUTY CHAIRMAN

APPROVED BY:

Yasser Joharji
CEO

APPROVED BY:

Mohammed Al-Khubani
CFO

The attached notes from 1 to 20 form an integral part of these interim condensed consolidated financial statements.

Al Nahdi Medical Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three-month period ended 31 March 2022

(Expressed in Saudi Riyals unless otherwise stated)

	Note	Three-month period ended 31 March	
		2022	2021
Revenue		2,079,494,197	1,981,111,150
Cost of revenue		(1,227,767,421)	(1,201,400,161)
GROSS PROFIT		851,726,776	779,710,989
Other operating income		13,213,833	1,813,589
Selling and distribution expenses		(533,294,194)	(494,948,018)
General and administrative expenses		(67,273,372)	(60,412,388)
OPERATING PROFIT FOR THE PERIOD		264,373,043	226,164,172
Finance costs		(18,037,559)	(19,238,340)
Other income		1,046,833	-
PROFIT FOR THE PERIOD BEFORE ZAKAT		247,382,317	206,925,832
Zakat charge	12	(9,875,001)	(11,907,750)
NET PROFIT FOR THE PERIOD		237,507,316	195,018,082
OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>			
Re-measurement loss on defined benefits obligation	11	(772,856)	-
<i>Items that may be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translation of foreign operations		(206,291)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		236,528,169	195,018,082
EARNINGS PER SHARE			
Basic and diluted, earnings per share attributable to ordinary equity holders of the Parent Company	13	1.83	1.50

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Al Nahdi Medical Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the three-month period ended 31 March 2022

(Expressed in Saudi Riyals unless otherwise stated)

	<i>Share Capital</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Foreign currency translation reserve</i>	<i>Total</i>
Balance as at 1 January 2021 (audited)	1,000,000,000	109,911,582	969,030,474	(161,181)	2,078,780,875
Net profit for the period	-	-	195,018,082	-	195,018,082
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	195,018,082	-	195,018,082
Balance as at 31 March 2021 (unaudited)	1,000,000,000	109,911,582	1,164,048,556	(161,181)	2,273,798,957
Balance as at 1 January 2022 (audited)	1,300,000,000	191,164,445	112,615,756	(184,702)	1,603,595,499
Net profit for the period	-	-	237,507,316	-	237,507,316
Other comprehensive loss for the period	-	-	(772,856)	(206,291)	(979,147)
Total comprehensive income for the period	-	-	236,734,460	(206,291)	236,528,169
Balance as at 31 March 2022 (unaudited)	1,300,000,000	191,164,445	349,350,216	(390,993)	1,840,123,668

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The attached notes from 1 to 20 form an integral part of these interim condensed consolidated financial statements.

Al Nahdi Medical Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the three-month period ended 31 March 2022

(Expressed in Saudi Riyals unless otherwise stated)

	Note	Three-month period ended 31 March	
		2022	2021
OPERATING ACTIVITIES			
Profit for the period before zakat		247,382,317	206,925,832
<i>Adjustment to reconcile profit for the period before zakat to net cash flows from operating activities:</i>			
Depreciation of property and equipment	4	44,738,024	38,231,392
Depreciation of right-of-use assets	6	94,413,642	93,535,168
Amortisation of intangible assets		5,495,659	5,564,925
Loss on disposal of Intangible assets		46,655	-
Loss on disposal of property and equipment		4,061,420	-
Provision for slow moving and obsolete inventories, net	7	1,234,636	6,249,293
(Reversal)/provision for trade receivable	8	(2,219,444)	-
Gain on termination of right-of-use assets		(2,022,123)	-
Provision for employee benefits	11	17,143,505	10,590,284
Finance costs		18,037,559	19,238,340
		<u>428,311,850</u>	<u>380,335,234</u>
<i>Working capital adjustments:</i>			
Inventories		(204,780,051)	(61,653,389)
Trade receivables		(5,830,280)	(69,326,662)
Prepayments and other current assets		(45,030,208)	2,442,992
Trade and other payables		494,061,925	343,806,414
Accruals and other current liabilities		(84,192,848)	(73,957,373)
Cash from operations		<u>582,540,388</u>	<u>521,647,216</u>
Finance costs paid		(18,037,559)	(8,224,425)
Zakat paid	12	-	(7,592,503)
Employee benefits paid	11	(4,888,843)	(3,228,441)
Net cash flows from operating activities		<u>559,613,986</u>	<u>502,601,847</u>
INVESTING ACTIVITIES			
Purchase of property and equipment	4	(57,956,612)	(95,749,662)
Proceeds from disposal of property and equipment		35,150	-
Purchase of intangible assets		(6,838,719)	(1,165,101)
Net movement in short-term investments		-	(800,000,000)
Net cash flows used in investing activities		<u>(64,760,181)</u>	<u>(896,914,763)</u>
FINANCING ACTIVITY			
Payment of principal portion of lease liabilities	6	(110,082,367)	(76,139,161)
Cash flows used in financing activity		<u>(110,082,367)</u>	<u>(76,139,161)</u>
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>384,771,438</u>	<u>(470,452,077)</u>
Net foreign exchange difference		(206,291)	-
Cash and cash equivalents at the beginning of the period		401,044,447	1,008,529,663
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	9	<u>785,609,594</u>	<u>538,077,586</u>
SUPPLEMENTARY NON-CASH INFORMATION			
Addition to right-of-use assets and lease liabilities	6	<u>95,095,606</u>	<u>114,375,304</u>

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CFO

The attached notes from 1 to 20 form an integral part of these interim condensed consolidated financial statements.

Al Nahdi Medical Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

At 31 March 2022

(Expressed in Saudi Riyals unless otherwise stated)

1. CORPORATE INFORMATION

Al Nahdi Medical Company (the “Parent Company” or the “Company”) is a Saudi Joint Stock Company (previously A Saudi Closed Joint Stock Company) formed under Companies Law in the Kingdom of Saudi Arabia under Commercial Registration No. 4030053868 dated 1 October 2003 (corresponding to 5 Sha’ban 1424H). During 2021, a resolution was passed to convert the Company from ‘A Limited Liability Company’ to ‘A Saudi Closed Joint Stock Company’. The legal formalities in this regard were completed on 11 October 2021 (corresponding to 5 Rabi’ I 1443H), and the legal form became “A Saudi Closed Joint Stock Company”. The Group is operating in accordance with the Ministry of Health License No. 26-101-31-67-3 dated 28 December 2003 (corresponding to 22 Dhul-Hijjah 1424H).

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

During 2021, the Parent Company commenced the process for Initial Public Offering (“IPO”). The Capital Market Authority (“CMA”) Board issued its resolution approving the Parent Company’s application for the offering of 39 million shares representing thirty percent of the Parent Company’s share capital on 29 December 2021 (corresponding to 25 Jumada Al-Ula 1443H). As at 22 March 2022 (corresponding to 27 Sha’ban 1443H), the Parent Company’s shares became listed on the Saudi Stock Exchange (Tadawul) in the Kingdom of Saudi Arabia. The Parent Company’s status changed from “A Saudi Closed Joint Stock Company” to “A Saudi Joint Stock Company”. However, the legal formalities in this regard are in process as at the reporting date.

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

These interim condensed consolidated financial statements for the three-month period ended 31 March 2022 have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia (“KSA”) and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants (“SOCPA”). The Group has prepared the interim condensed consolidated financial statements on the basis that it will continue to operate as a going concern. The directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgment that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

These interim condensed consolidated financial statements do not include all the information and disclosures required in full set of annual consolidated financial statements and should therefore be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021. In addition, results for the interim period ended 31 March 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022 (see also note 2.5).

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Arabian Riyals (“SR”) which is also the functional currency of the Group.

Al Nahdi Medical Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

At 31 March 2022

(Expressed in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION (continued)

2.4 Basis of consolidation

These interim condensed consolidated financial statements include the financial information of the Parent Company and the following direct and indirect subsidiaries (collectively referred to “the Group”), in which the Group exercises control as at 31 March 2022.

<i>Subsidiary name</i>	<i>Country of incorporation</i>	<i>Principal business activity</i>	<i>Effective ownership interest</i>	
			<i>31 March 2022</i>	<i>31 December 2021</i>
Al Nahdi Care	KSA	Clinics	100%	100%
Sakhaa Golden Company*	KSA	Labor Services	100%	100%
Nahdi Investment Company**	UAE	Holding Company	100%	100%

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

**As at 31 March 2022, Nahdi Investment Company also has investments in the following subsidiaries:

<i>Subsidiary name</i>	<i>Country of incorporation</i>	<i>Principal business activity</i>	<i>Effective ownership interest</i>	
			<i>31 March 2022</i>	<i>31 December 2021</i>
Nahdi Drug Store	UAE	Drug store	99%	99%
Al Nahdi Pharmacy	UAE	Pharmacy	99%	99%

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

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

Non-controlling interests (NCI)

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

Transactions eliminated on consolidation

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

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

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

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

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

Al Nahdi Medical Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

At 31 March 2022

(Expressed in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION (continued)

2.4 Basis of consolidation (continued)

Control is achieved when the Group is exposed, or has rights, to variable returns from its transactions with the investee and has the ability to affect those returns through exercising its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

2.5 Significant accounting judgments, estimates and assumptions

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The significant judgments made by management in applying the Group's accounting policies and the methods of computation and the key sources of estimation are the same as those that applied to the consolidated financial statements for the year ended 31 December 2021. However, in the view of the current uncertainty due to COVID-19, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is still evolving with future uncertainties, management will continue to assess the impact based on prospective developments (see also note 18).

3. New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2022, but do not have any material impact on the interim condensed consolidated financial statements of the Group.

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

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. These amendments had no impact on the interim condensed consolidated financial statements of the Group.

3. New standards, interpretations and amendments adopted by the Group (continued)

3.2 Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

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

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

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

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. These amendments had no impact on the interim condensed consolidated financial statements of the Group as it is not a first-time adopter.

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

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement. These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

3.6 IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. These amendments had no impact on the interim condensed consolidated financial statements of the Group as it did not have assets in scope of IAS 41 as at the reporting date.

Al Nahdi Medical Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

At 31 March 2022

(Expressed in Saudi Riyals unless otherwise stated)

4. PROPERTY AND EQUIPMENT

	<i>31 March 2022 (Unaudited)</i>	<i>31 December 2021 (Audited)</i>
Cost:		
At the beginning of the period/year	1,745,914,187	1,564,876,988
Additions during the period/year	57,956,612	282,574,314
Transfer to Intangible assets during the period/year	-	(3,273,874)
Transfer to Investment properties during the period/year	-	(51,812,050)
Disposals during the period/year	(2,269,628)	-
Write-offs during the period/year	(16,718,027)	(46,451,191)
	<hr/>	<hr/>
At the end of the period/year	1,784,883,144	1,745,914,187
	<hr/>	<hr/>
Depreciation and Impairment:		
At the beginning of the period/year	860,274,542	752,578,823
Depreciation charge for the period/year	44,738,024	160,851,655
Reversal of impairment related to transfer to Investment properties	-	(6,696,050)
Impairment reversal for the year period/year	-	(13,523,000)
Disposals during the period/year	(2,269,608)	-
Write-offs during the period/year	(12,621,477)	(32,936,886)
	<hr/>	<hr/>
At the end of the period/year	890,121,481	860,274,542
	<hr/>	<hr/>
<u>Net book value:</u>		
At the end of the period/year	894,761,663	885,639,645
	<hr/> <hr/>	<hr/> <hr/>

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

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

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

Management is consistently evaluating the methods and assumptions used in valuating the Group's land. There has been no material change in circumstances between the year end and the reporting date that would require adjustment or revaluation at the reporting date.

During the period, the Group capitalized substantial portion of distribution centre as it started its commercial operations. An amount of SR 229.80 million in buildings and leasehold improvements asset class has been capitalized in this regard.

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5. INVESTMENT PROPERTIES

	<i>31 March 2022 (Unaudited)</i>	<i>31 December 2021 (Audited)</i>
Cost:		
At the beginning of the period/year	246,706,234	194,894,184
Transfer from property and equipment	-	51,812,050
	<hr/>	<hr/>
At the end of the period/year	246,706,234	246,706,234
	<hr/>	<hr/>
Accumulated Impairment loss:		
At the beginning of the period/year	16,621,234	15,894,184
Impairment charge for the period/year	-	-
Reversal of impairment loss for the period/year	-	(5,969,000)
Transfer of impairment loss from property and equipment	-	6,696,050
	<hr/>	<hr/>
At the end of the period/year	16,621,234	16,621,234
	<hr/>	<hr/>
<u>Net book value:</u>		
At the end of the period/year	230,085,000	230,085,000
	<hr/> <hr/>	<hr/> <hr/>

The Group's investment properties mainly represents the parcels of land in KSA which are currently held for undetermined future use. During the year 2021, the Group transferred one parcel of land from property and equipment to investment properties at cost less accumulated impairment loss. The fair value of the Group's investment properties, as at 31 December 2021 was determined on the basis of the valuation exercise carried out by Abdullah Al Kathiri Real Estate Evaluation Office not connected with the Group. The firm is licensed by Taqueem (Saudi Authority for Accredited Valuers) and they have appropriate qualifications and relevant experience in the fair value measurement of properties in the relevant locations. A valuation model in accordance with that recommended by the Saudi Authority for Accredited Valuers was applied. The fair value of the lands was determined based on income method (RLV), a valuation model in accordance with that recommended by the Saudi Authority for Accredited Valuers was applied. Under this method, the value of land is arrived by calculating the development cost including the profit and subtracting the build cost, construction cost and other components of cost.

Management is consistently evaluating the methods and assumptions used in valuating the Group's land. There has been no material change in circumstances between the year end and the reporting date that would require adjustment or revaluation at the reporting date.

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6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

	<i>31 March 2022</i>		<i>31 December 2021</i>	
	<i>Right-of-use assets (unaudited)</i>	<i>Lease liabilities (unaudited)</i>	<i>Right-of-use assets (Audited)</i>	<i>Lease liabilities (Audited)</i>
At the beginning of the period/year	1,327,618,022	1,359,057,190	1,206,516,525	1,235,078,508
Addition during the period/year	95,095,606	95,095,606	395,158,159	394,275,103
Modifications during the period/year	(3,554,660)	(3,554,660)	161,256,240	161,256,240
Termination during the period/year	(46,773,751)	(48,795,874)	(48,866,765)	(50,368,138)
Depreciation during the period/year	(94,413,642)	-	(386,446,137)	-
Accretion of interest during the period/year	-	11,034,384	-	47,633,667
Payments during the period/year	-	(121,116,751)	-	(428,818,190)
At the end of the period/year	1,277,971,575	1,291,719,895	1,327,618,022	1,359,057,190

The following are the lease liabilities as classified in the interim condensed consolidated statement of financial position:

	<i>31 March 2022 (Unaudited)</i>	<i>31 December 2021 (Audited)</i>
Non-current	1,161,947,894	991,642,150
Current	129,772,001	367,415,040
	1,291,719,895	1,359,057,190

(a) The additions, terminations and modifications during the period happened in normal course of business.

7. INVENTORIES

	<i>31 March 2022 (Unaudited)</i>	<i>31 December 2021 (Audited)</i>
Inventories	1,444,711,608	1,241,251,497
Less: Provision for slow moving and obsolete inventories	(124,684,291)	(124,769,595)
	1,320,027,317	1,116,481,902

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

	<i>31 March 2022 (Unaudited)</i>	<i>31 December 2021 (Audited)</i>
At the beginning of the period/year	124,769,595	195,170,998
Included in the interim condensed consolidated statement of profit or loss		
Charge for the period/year	14,824,440	30,970,204
Reversal during the period/year	(13,589,804)	(84,382,781)
Written off during the period/year	(1,319,940)	(16,988,826)
At the end of the period/year	124,684,291	124,769,595

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8. TRADE RECEIVABLES

	<i>31 March 2022 (Unaudited)</i>	<i>31 December 2021 (Audited)</i>
Trade receivables	151,575,852	146,997,993
Less: Allowance for expected credit losses (see note below)	(3,243,010)	(6,714,875)
	<u>148,332,842</u>	<u>140,283,118</u>

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

	<i>31 March 2022 (Unaudited)</i>	<i>31 December 2021 (Audited)</i>
At the beginning of the period/year	6,714,875	9,620,955
Charge for the period/year	-	5,868,027
Reversal for the period/year	(2,219,444)	-
Written off during the period/year	(1,252,421)	(8,774,107)
	<u>3,243,010</u>	<u>6,714,875</u>

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

9. CASH AND CASH EQUIVALENTS

	<i>31 March 2022 (Unaudited)</i>	<i>31 December 2021 (Audited)</i>
Cash at banks – current accounts	707,891,563	339,430,212
Cash on hand	77,718,031	61,614,235
	<u>785,609,594</u>	<u>401,044,447</u>

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10. SHAREHOLDERS' EQUITY

Capital

The Group's capital is divided into 130,000,000 shares (31 December 2021: 130,000,000 shares) with a nominal value of SR 10 each (31 December 2021: SR 10 each)

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

11. EMPLOYEE BENEFIT LIABILITIES

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

	<i>31 March 2022 (Unaudited)</i>	<i>31 December 2021 (Audited)</i>
Defined benefits obligation at beginning of the period/year	386,732,043	329,487,592
Current service cost	16,596,880	53,390,239
Interest cost on defined benefits obligation	546,625	7,062,738
Actuarial loss on the obligation included in retained earnings	772,856	28,505,874
Transferred out	-	(531,361)
Payments made during the period/year	(4,888,843)	(31,183,039)
Defined benefits obligation at the end of the period/year	399,759,561	386,732,043

11.1 Actuarial assumptions

	<i>31 March 2022 (Unaudited)</i>	<i>31 December 2021 (Audited)</i>
Discount rate	3.10%	2.85%
Future salary growth/expected rate of salary increase	4.60%	3.75%
Mortality rate	0.25%	0.25%
Retirement age	60 years	60 years

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12. ZAKAT

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

	<i>31 March 2022 (Unaudited)</i>	<i>31 December 2021 (Audited)</i>
At the beginning of the period/year	96,873,748	98,053,920
Provision for the current period/year	9,875,001	44,738,103
Payment during the period/year	-	(45,918,275)
At the end of the period/year	106,748,749	96,873,748

Status of assessments

Al Nahdi Medical Company

Zakat assessments have been agreed with the Zakat, Tax and Customs Authority (“ZATCA”) up to 2014. The zakat returns for the years from 2015 to 2021 are currently under review by the ZATCA.

For the year ended 31 December 2015

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

For the years ended 31 December 2016 to 2019

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

For the year ended 31 December 2020

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

For the year ended 31 December 2021

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

Subsidiaries

Sakhaa Golden Company

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

For the year ended 31 December 2020

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

For the year ended 31 December 2021

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

Al Nahdi Care

For the years ended 31 December 2019 to 2020

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

For the year ended 31 December 2021

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

For the period ended 31 March 2022

The zakat status remains as mentioned above and has not changed in the three-month period ended 31 March 2022.

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(UNAUDITED) (continued)

At 31 March 2022

(Expressed in Saudi Riyals unless otherwise stated)

13. EARNINGS PER SHARE

The earnings per share calculation is given below:

	<i>Three-month period ended 31</i>	
	<i>March</i>	
	<i>2022</i>	<i>2021</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net profit for the period/ year	237,507,316	195,018,082
Weighted average number of ordinary shares	130,000,000	130,000,000
Earnings per share – basic and diluted	1.83	1.50

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

14. FAIR VALUE MEASUREMENT

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

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

The management assessed that the fair value of financial assets and financial liabilities approximate their carrying amounts primarily due to the short-term maturities of these instrument.

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(UNAUDITED) (continued)

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15. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Key management compensation

Compensation for key management is as follows:

	<i>Three-month period ended 31</i>	
	<i>March</i>	
	<i>2022</i>	<i>2021</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Salaries and other benefits*	875,001	8,338,176
Post-employment benefits	3,103,691	3,078,645
	<u>3,978,692</u>	<u>11,416,821</u>

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

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

There are no outstanding balances from related parties at the period ended 31 March 2022. Related party balances are generally unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the period ended 31 March 2022, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (31 December 2021: same). This assessment is undertaken each financial year by examining the financial position of the related parties and the market in which the related party operates.

16. SEGMENT INFORMATION

The Group operates in the KSA and the UAE and is engaged in the sale of cosmetics, medical materials, as well as medical equipment through pharmacies. It also operates specialized medical clinics through one of its subsidiaries providing employment services. The Group's operations in the UAE are considered relatively insignificant, and accordingly, the Group does not present business sector information at the geographical level. Also, the Group's business of operating specialized medical clinics and providing of employment services is considered relatively insignificant.

The Group has two operating segments, Front Shop and Pharma. The Group's segments maintain separate financial information, and the Group's chief operating decision maker (the "CODM") evaluates the segments' revenue on a regular basis in deciding how to allocate resources among the segments and in assessing segment performance. The CODM evaluates the performance of the Group's segments based on revenue. The Group uses revenue as its principal measure of segment performance as it enhances the Group's ability to compare past financial performance with current performance and analyze underlying business performance and trends. The following table presents revenue information for the Group's operating segments for the three-month period ended 31 March 2022 and 31 March 2021, respectively:

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16. SEGMENT INFORMATION (continued)

Revenue

Interim Condensed Consolidated Statement of Profit or Loss Three-month period ended 31 March 2022 (Unaudited)

Front Shop	1,017,785,242
Pharma	1,044,508,206
Others	17,200,749
Total	2,079,494,197

Interim Condensed Consolidated Statement of Profit or Loss Three-month period ended 31 March 2021 (Unaudited)

Front Shop	1,065,839,163
Pharma	913,557,482
Others	1,714,505
Total	1,981,111,150

17. COMMITMENTS AND CONTINGENCIES

As at 31 March 2022, the Group has commitments of SR 85 million (31 December 2021: SR 101.15 million) relating to capital expenditures, which also includes an agreement with a consulting Group to implement the decorations of pharmacies, implement the new stores, construction of distribution centre. It also includes commitments pertains to letter of credit and letter of guarantee.

18. IMPACT OF COVID-19

In response to the outbreak of novel coronavirus (“Covid-19 pandemic”) and its spread across mainland China and then globally caused disruptions to businesses and economic activities including the KSA over the last two years, hence management continues to proactively assess its impact on the Group’s operations.

Globally, there has been significant drop in the number of registered cases including the KSA. As a result, restrictions related to Covid-19 pandemic such as social distancing, travel bans, requirement for travellers to present a negative PCR or rapid antigen test on arrival test have been lifted. Based on these factors, management believes that the Covid-19 pandemic has had no material effect on the Group’s reported financial results for the period ended 31 March 2022 including the significant accounting judgements, estimates and assumptions. The Group continues to monitor the Covid-19 pandemic situation closely although at this time management is not aware of any factors that are expected to change the impact of the Covid-19 pandemic on the Group’s operations during 2022 or beyond.

19. EVENTS AFTER THE REPORTING PERIOD

In the opinion of management, there have been no significant subsequent events since the period ended 31 March 2022, which would have a material impact on the financial position of the Group as reflected in these interim condensed consolidated financial statements.

20. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised to issue by the Board of Directors on 17 May 2022G (corresponding to 16 Shawwal 1443H).