

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

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

**FOR THE THREE AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER
2022**

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

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 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 30 September 2022, and the related interim condensed consolidated statement of profit or loss and other comprehensive income, for the three-month and nine-month periods ended 30 September 2022, and the related interim condensed consolidated statements of changes in shareholders' equity and cash flows for the nine-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 financial information 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.

for Ernst & Young Professional Services

Abdullah Ali AlMakrami
Certified Public Accountant
License No. 476



Jeddah: 9 Rabi Al-Thani 1444H
3 November 2022G

Al Nahdi Medical Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)

As at 30 September 2022

(Expressed in Saudi Riyals unless otherwise stated)

	Note	30 September 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	4	901,358,551	885,639,645
Investment properties	5	248,404,084	230,085,000
Intangible assets		44,371,967	44,206,156
Right-of-use assets	6	1,318,008,581	1,327,618,022
TOTAL NON-CURRENT ASSETS		2,512,143,183	2,487,548,823
CURRENT ASSETS			
Inventories	7	1,270,726,986	1,116,481,902
Trade receivables	8	212,723,646	140,283,118
Prepayments and other current assets		212,803,174	141,566,282
Cash and cash equivalents	9	761,272,243	401,044,447
TOTAL CURRENT ASSETS		2,457,526,049	1,799,375,749
TOTAL ASSETS		4,969,669,232	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		608,274,286	112,615,756
Foreign currency translation reserve		(391,974)	(184,702)
TOTAL SHAREHOLDERS' EQUITY		2,099,046,757	1,603,595,499
NON-CURRENT LIABILITIES			
Lease liabilities	6	971,298,560	991,642,150
Accruals and other non-current liabilities		15,868,691	19,094,000
Employee benefit liabilities	11	382,239,214	386,732,043
TOTAL NON-CURRENT LIABILITIES		1,369,406,465	1,397,468,193
CURRENT LIABILITIES			
Trade payables		652,170,386	483,995,057
Lease liabilities – current portion	6	354,987,249	367,415,040
Accruals and other current liabilities		389,445,872	337,577,035
Zakat provision	12	104,612,503	96,873,748
TOTAL CURRENT LIABILITIES		1,501,216,010	1,285,860,880
TOTAL LIABILITIES		2,870,622,475	2,683,329,073
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		4,969,669,232	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 19 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 and nine-month periods ended 30 September 2022

(Expressed in Saudi Riyals unless otherwise stated)

	Note	Three-month period ended 30 September		Nine-month period ended 30 September	
		2022	2021	2022	2021
Revenue		2,158,982,529	2,041,738,829	6,477,945,706	6,092,985,657
Cost of revenue		(1,247,926,348)	(1,183,942,705)	(3,788,860,187)	(3,595,510,980)
GROSS PROFIT		911,056,181	857,796,124	2,689,085,519	2,497,474,677
Other operating income		14,911,213	5,320,079	40,906,860	11,297,332
Selling and distribution expenses		(553,331,192)	(525,300,913)	(1,638,811,879)	(1,536,687,859)
General and administrative expenses		(94,135,934)	(63,540,318)	(242,495,395)	(212,344,006)
OPERATING PROFIT FOR THE PERIOD		278,500,268	274,274,972	848,685,105	759,740,144
Finance costs		(18,885,259)	(18,052,119)	(56,225,845)	(56,539,784)
Other income		3,191,720	2,990,861	4,844,131	3,326,746
Reversal of impairment on investment properties	5	9,124,495	-	9,124,495	-
Loss on derecognition of investment properties	5	(7,062,411)	-	(7,062,411)	-
PROFIT FOR THE PERIOD BEFORE ZAKAT		264,868,813	259,213,714	799,365,475	706,527,106
Zakat charge	12	(11,056,631)	(11,762,750)	(39,538,577)	(37,230,353)
NET PROFIT FOR THE PERIOD		253,812,182	247,450,964	759,826,898	669,296,753
OTHER COMPREHENSIVE INCOME					
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>					
Re-measurement gain/(loss) on defined benefit plans	11	2,343,845	(3,548,608)	36,131,632	(24,439,851)
<i>Items that may be reclassified to profit or loss in subsequent periods</i>					
Exchange differences on translation of foreign operations		(582)	3,142	(207,272)	(22,394)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		256,155,445	243,905,498	795,751,258	644,834,508
EARNINGS PER SHARE					
Basic and diluted, earnings per share attributable to ordinary equity holders of the Parent Company	13	1.95	1.90	5.84	5.15

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APPROVED BY:
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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 nine-month period ended 30 September 2022

(Expressed in Saudi Riyals unless otherwise stated)

	<i>Share Capital</i>	<i>Proposed increase in 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	-	-	-	669,296,753	-	669,296,753
Other comprehensive loss for the period	-	-	-	(24,439,851)	(22,394)	(24,462,245)
Total comprehensive income for the period	-	-	-	644,856,902	(22,394)	644,834,508
Dividends (note 10b)	-	-	-	(1,260,000,000)	-	(1,260,000,000)
Transfer to proposed increase in capital	-	300,000,000	-	(300,000,000)	-	-
Balance as at 30 September 2021 (unaudited)	1,000,000,000	300,000,000	109,911,582	53,887,376	(183,575)	1,463,615,383
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	-	-	-	759,826,898	-	759,826,898
Other comprehensive income for the period	-	-	-	36,131,632	(207,272)	35,924,360
Total comprehensive income for the period	-	-	-	795,958,530	(207,272)	795,751,258
Dividends (note 10b)	-	-	-	(300,300,000)	-	(300,300,000)
Balance as at 30 September 2022 (unaudited)	1,300,000,000	-	191,164,445	608,274,286	(391,974)	2,099,046,757

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Al Nahdi Medical Company (A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS (UNAUDITED)

For the nine-month period ended 30 September 2022

(Expressed in Saudi Riyals unless otherwise stated)

		<i>Nine-month period ended 30 September</i>	
	Note	2022	2021
OPERATING ACTIVITIES			
Profit for the period before zakat		799,365,475	706,527,106
<i>Adjustment to reconcile profit for the period before zakat to net cash flows from operating activities:</i>			
Depreciation of property and equipment	4	140,746,320	121,591,432
Depreciation of right-of-use assets	6	285,855,785	286,260,677
Amortisation of intangible assets		20,509,081	19,412,841
Loss/ (gain) on disposal of property and equipment and intangible asset		8,648,620	(276,138)
Loss/ (gain) on termination of right-of-use assets		1,576,490	(315,121)
(Reversal)/ impairment for trade receivable allowance	8	(719,444)	4,100,000
Provision/ (reversal) for slow moving and obsolete inventories	7	50,200,107	(30,904,022)
Reversal of Impairment loss of property and equipment	4	(2,649,935)	-
Reversal of Impairment on Investment properties	5	(9,124,495)	-
Loss on derecognition of property and equipment	5	7,062,411	-
Provision for employee benefits	11	50,913,427	44,983,772
Finance costs		56,225,845	56,539,784
		<u>1,408,609,687</u>	<u>1,207,920,331</u>
<i>Working capital adjustments:</i>			
Inventories		(204,445,191)	3,595,156
Trade receivables		(71,721,084)	(88,208,103)
Prepayments and other current assets		(71,236,892)	(40,988,356)
Trade and other payables		168,175,329	51,689,163
Accruals and other current liabilities		48,643,528	(25,778,876)
Cash from operations		<u>1,278,025,377</u>	<u>1,108,229,310</u>
Finance costs paid		(56,225,845)	(56,539,784)
Zakat paid	12	(31,799,822)	(44,483,544)
Employee benefits paid	11	(19,274,624)	(26,633,730)
Net cash flows from operating activities		<u>1,170,725,086</u>	<u>980,572,252</u>
INVESTING ACTIVITIES			
Purchase of property and equipment	4	(178,672,407)	(211,750,016)
Proceeds from disposal of property and equipment		-	2,624,425
Purchase of intangible assets		(20,723,396)	(17,551,983)
Net cash flows used in investing activities		<u>(199,395,803)</u>	<u>(226,677,574)</u>
FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities	6	(310,594,215)	(255,059,370)
Dividends paid		(300,300,000)	(1,060,000,000)
Cash flows used in financing activities		<u>(610,894,215)</u>	<u>(1,315,059,370)</u>
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>360,435,068</u>	<u>(561,164,692)</u>
Net foreign exchange difference		(207,272)	(22,394)
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>761,272,243</u>	<u>447,342,577</u>
SUPPLEMENTARY NON-CASH INFORMATION			
Addition to right of use assets and lease liabilities	6	321,395,404	343,947,062
Dividends payable		-	200,000,000

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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 30 September 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”. All the legal formalities were completed during the period in this regard.

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 nine-month period ended 30 September 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 management 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 30 September 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 30 September 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 30 September 2022.

<i>Subsidiary name</i>	<i>Country of incorporation</i>	<i>Principal business activity</i>	<i>Effective ownership interest</i>	
			<i>30 September 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%

*During the period ended 30 September 2022, Sakhaa Golden Company made an investment in a subsidiary namely Al Sakhaa integrated solutions formed in Egypt under Commercial Registration No. 194304 dated 28 September 2022 (corresponding to 2 Rabi Al-Awwal1444H) for which the details are as follows:

<i>Subsidiary name</i>	<i>Country of incorporation</i>	<i>Principal business activity</i>	<i>Effective ownership interest</i>	
			<i>30 September 2022</i>	<i>31 December 2021</i>
Al Sakhaa integrated solutions	Egypt	IT consulting	99%	-

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

**As at 30 September 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>30 September 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.

Al Nahdi Medical Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

At 30 September 2022

(Expressed in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION (continued)

2.4 Basis of consolidation (continued)

Transactions eliminated on consolidation (continued)

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

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

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

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.

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

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.

3.2 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.

Al Nahdi Medical Company (A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

At 30 September 2022

(Expressed in Saudi Riyals unless otherwise stated)

4. PROPERTY AND EQUIPMENT

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Cost:		
At the beginning of the period/year	1,745,914,187	1,564,876,988
Additions during the period/year	178,672,407	282,574,314
Transfer to Intangible assets during the period/year	-	(3,273,874)
Transfer to Investment properties during the period/year	(16,257,000)	(51,812,050)
Disposals during the period/year	(3,959,946)	-
Write-offs during the period/year	(34,431,439)	(46,451,191)
	<hr/>	<hr/>
At the end of the period/year	1,869,938,209	1,745,914,187
	<hr/>	<hr/>
Depreciation:		
At the beginning of the period/year	857,624,607	729,709,838
Depreciation charge for the period/year	140,746,320	160,851,655
Disposals during the period/year	(3,955,258)	-
Write-offs during the period/year	(25,836,011)	(32,936,886)
	<hr/>	<hr/>
	968,579,658	857,624,607
	<hr/>	<hr/>
Impairment:		
At the beginning of the period/year	2,649,935	22,868,985
Reversal of impairment related to transfer to Investment properties	-	(6,696,050)
Impairment reversal for the period/year	(2,649,935)	(13,523,000)
	<hr/>	<hr/>
	-	2,649,935
	<hr/>	<hr/>
At the end of the period/year	968,579,658	860,274,542
	<hr/>	<hr/>
<u>Net book value:</u>		
At the end of the period/year	901,358,551	885,639,645
	<hr/> <hr/>	<hr/> <hr/>

The fair value of the Group's parcel of land as at 30 September 2022 (1 parcel of land) was valued at SR 79.4 million (31 December 2021: SR 71.78 million) (2 parcels of land) was determined by an independent external real estate evaluator Olat Valuation Company (2021: Abdullah Al Kathiri Real Estate Evaluation Office) accredited by the Saudi Authority for Accredited Valuers ("TAQEEM") and they have appropriate qualifications and relevant experience in the fair value measurement of properties in the relevant locations.

The fair value of the land has been determined based on market approach (Comparable Market Approach Evaluation), a valuation model in accordance with that recommended by the Saudi Authority for Accredited Valuers was applied. Under this approach value is determined by comparing the asset with identical or comparable (similar) assets for which price information is available.

Based on the difference between the carrying value and the fair value of the land as at 30 September 2022, a reversal of impairment loss amounting to SR 2.7 million was recorded in the Group's interim condensed consolidated financial statements for the period ended 30 September 2022 (31 December 2021; SR 14 million).

During the period, the Group transferred substantial portion of distribution center from capital work in progress to the respective class of assets in property and equipment as it started its commercial operations. An amount of SR 229.8 million in buildings and leasehold improvements asset class has been capitalized in this regard.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

At 30 September 2022

(Expressed in Saudi Riyals unless otherwise stated)

5. INVESTMENT PROPERTIES

	<i>30 September 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	16,257,000	51,812,050
	<hr/>	<hr/>
At the end of the period/year	262,963,234	246,706,234
	<hr/>	<hr/>
Accumulated Impairment loss:		
At the beginning of the period/year	16,621,234	15,894,184
Reversal of impairment loss for the period/year	(9,124,495)	(5,969,000)
Loss on derecognition of investment properties	7,062,411	-
Transfer of impairment loss from property and equipment	-	6,696,050
	<hr/>	<hr/>
At the end of the period/year	14,559,150	16,621,234
	<hr/>	<hr/>
<u>Net book value:</u>		
At the end of the period/year	248,404,084	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 period, the Group transferred one parcel of land (31 December 2021: 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 30 September 2022 was determined on the basis of the valuation exercise carried out by an independent external real estate evaluator Olat Valuation Company (2021: Abdullah Al Kathiri Real Estate Evaluation Office) accredited by the Saudi Authority for Accredited Valuers ("TAQEEM") and they have appropriate qualifications and relevant experience in the fair value measurement of properties in the relevant locations.

A valuation model in accordance with that recommended by the Saudi Authority for Accredited Valuers was applied. The fair value of the lands has been determined based on market approach (Comparable Market Approach Evaluation and Residual Value Approach), valuation models in accordance with that recommended by the Saudi Authority for Accredited Valuers was applied. Under the Comparable market Approach Evaluation, value is determined by comparing the asset with identical or comparable (similar) assets for which price information is available. Under Residual Value Approach, 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 30 September 2022, a reversal of impairment loss amounting to SR 6.91 million was recorded in the Group's interim condensed consolidated financial statements for the period ended 30 September 2022 (31 December 2021: SR 5.97 million).

During the period ended 30 September 2022, the management of the Group realized that a portion of one of the lands owned by the Group was partially used in the infrastructure by a Government Body which is under assessment at the reporting date. Based on the difference between the carrying value and the fair value of the land (based on revised area of land), an impairment loss amounting to SR 7.06 million was recorded in the Group's interim condensed consolidated financial statements for the period ended 30 September 2022.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

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(Expressed in Saudi Riyals unless otherwise stated)

5. INVESTMENT PROPERTIES (continued)

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

	<i>Level 1</i> SR	<i>Level 2</i> SR	<i>Level 3</i> SR	Total SR
30 September 2022	<u>-</u>	<u>-</u>	<u>347,671,131</u>	<u>347,671,131</u>
31 December 2021	<u>-</u>	<u>-</u>	<u>230,085,000</u>	<u>230,085,000</u>

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:

	<u>30 September 2022</u>		<u>31 December 2021</u>	
	<i>Right-of-use</i> <i>assets</i> <i>(unaudited)</i>	<i>Lease</i> <i>liabilities</i> <i>(unaudited)</i>	<i>Right-of-use</i> <i>assets</i> <i>(Audited)</i>	<i>Lease</i> <i>liabilities</i> <i>(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	321,395,404	321,395,404	395,158,159	394,275,103
Modifications during the period/year	39,486,847	39,486,847	161,256,240	161,256,240
Termination during the period/year	(84,635,907)	(83,059,417)	(48,866,765)	(50,368,138)
Depreciation during the period/year	(285,855,785)	-	(386,446,137)	-
Accretion of interest during the period/year	-	33,308,435	-	47,633,667
Payments during the period/year	-	(343,902,650)	-	(428,818,190)
At the end of the period/year	<u>1,318,008,581</u>	<u>1,326,285,809</u>	<u>1,327,618,022</u>	<u>1,359,057,190</u>

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

	<u>30 September</u> <u>2022</u> <i>(Unaudited)</i>	<u>31 December</u> <u>2021</u> <i>(Audited)</i>
Non-current	971,298,560	991,642,150
Current	354,987,249	367,415,040
	<u>1,326,285,809</u>	<u>1,359,057,190</u>

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

7. INVENTORIES

	<u>30 September</u> <u>2022</u> <i>(Unaudited)</i>	<u>31 December</u> <u>2021</u> <i>(Audited)</i>
Inventories	1,418,237,967	1,241,251,497
Less: Allowance for slow moving and obsolete inventories	(147,510,981)	(124,769,595)
	<u>1,270,726,986</u>	<u>1,116,481,902</u>

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(UNAUDITED) (continued)

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7. INVENTORIES (continued)

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

	<i>30 September 2022 (Unaudited)</i>	<i>31 December 2021 (Audited)</i>
At the beginning of the period/year	124,769,595	195,170,998
Charge/ (reversal) for the period/year	50,200,107	(53,412,577)
Written off during the period/year	(27,458,721)	(16,988,826)
	<hr/>	<hr/>
At the end of the period/year	147,510,981	124,769,595
	<hr/> <hr/>	<hr/> <hr/>

8. TRADE RECEIVABLES

	<i>30 September 2022 (Unaudited)</i>	<i>31 December 2021 (Audited)</i>
Trade receivables	217,229,216	146,997,993
Less: Allowance for expected credit losses (see note below)	(4,505,570)	(6,714,875)
	<hr/>	<hr/>
	212,723,646	140,283,118
	<hr/> <hr/>	<hr/> <hr/>

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

	<i>30 September 2022 (Unaudited)</i>	<i>31 December 2021 (Audited)</i>
At the beginning of the period/year	6,714,875	9,620,955
(Reversal)/charge for the period/year	(719,444)	5,868,027
Written off during the period/year	(1,489,861)	(8,774,107)
	<hr/>	<hr/>
	4,505,570	6,714,875
	<hr/> <hr/>	<hr/> <hr/>

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

9. CASH AND CASH EQUIVALENTS

	<i>30 September 2022 (Unaudited)</i>	<i>31 December 2021 (Audited)</i>
Cash at banks	336,107,970	339,430,212
Cash on hand	73,815,801	61,614,235
Murabaha & term deposits (note 9.1)	351,348,472	-
	<hr/>	<hr/>
	761,272,243	401,044,447
	<hr/> <hr/>	<hr/> <hr/>

9.1 This amount represents deposits with original maturities of less than three months. During the period, the Group earned SR 4.2 M (31 December 2021: Nil) on the Murabaha and term deposits at the rate of return of ranging between 1.7% to 3.65%.

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(UNAUDITED) (continued)

At 30 September 2022

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10. SHAREHOLDERS' EQUITY

(a) 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 an increase in the number of shares from 1,000,000 to 130,000,000 and 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).

(b) Dividends

On 8 August 2022G (corresponding to 10 Muharram 1444H), the Board of Directors announced the distribution of SR 300,300,000 as cash dividends (SR 2.31 per share) for the first half of the fiscal year 2022 which represents 23% of the nominal value of the shares (30 September 2021: SR 460 million (SR 460 per share), SR 600 million (SR 600 per share), and SR 200 million (SR 200 per share) respectively).

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>30 September 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	42,921,248	53,390,239
Interest cost on defined benefits obligation	7,992,179	7,062,738
Actuarial (gain)/loss on the obligation included in retained earnings	(36,131,632)	28,505,874
Transferred	-	(531,361)
Payments made during the period/year	(19,274,624)	(31,183,039)
Defined benefits obligation at the end of the period/year	382,239,214	386,732,043

11.1 Actuarial assumptions

	<i>30 September 2022 (Unaudited)</i>	<i>31 December 2021 (Audited)</i>
Discount rate	4%	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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(UNAUDITED) (continued)

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12. ZAKAT

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

	<i>Nine-month period ended 30 September 2022 (Unaudited)</i>	<i>Year ended 31 December 2021 (Audited)</i>
At the beginning of the period/year	96,873,748	98,053,920
Provision for the current period/year	39,538,577	44,738,103
Payment during the period/year	(31,799,822)	(45,918,275)
At the end of the period/year	104,612,503	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.

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. The Group received a valid zakat certificate until 30 April 2023.

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.

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. The company received a valid zakat certificate until 30 April 2023.

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.

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. The company received a valid zakat certificate until 30 April 2023.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) (continued)

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13. EARNINGS PER SHARE

The earnings per share calculation is given below:

	<i>Three-month period ended 30</i>		<i>Nine-month period ended 30</i>	
	<i>September</i>		<i>September</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net profit for the period	253,812,182	247,450,964	759,826,898	669,296,753
Weighted average number of ordinary shares	130,000,000	130,000,000	130,000,000	130,000,000
Earnings per share – Basic and diluted	1.95	1.90	5.84	5.15

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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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(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. Following is the list of related party transactions and balances of the Group:

<i>Related party</i>	<i>Relationship</i>	<i>Nature of transaction</i>	<i>Transactions</i>	
			<i>For the nine-month period ended</i>	
			<i>30 September 2022 (Unaudited)</i>	<i>30 September 2021 (Unaudited)</i>
Khota Al Khair for Commercial Services Company Limited	Affiliate	Expenses paid on behalf of the affiliate	51,750	-

Key management compensation

Compensation for key management is as follows:

	<i>Three-month period ended 30 September</i>		<i>Nine-month period ended 30 September</i>	
	<i>2022 (Unaudited)</i>	<i>2021 (Unaudited)</i>	<i>2022 (Unaudited)</i>	<i>2021 (Unaudited)</i>
Salaries and other benefits*	875,001	(14,051,352)	2,625,003	2,625,000
Post-employment benefits	6,295,676	3,078,645	12,503,059	9,235,935
	<u>7,170,677</u>	<u>(10,972,707)</u>	<u>15,128,062</u>	<u>11,860,935</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.

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 30 September 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.

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(UNAUDITED) (continued)

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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 nine-month period ended 30 September 2022 and 30 September 2021, respectively

	<i>Revenue</i>
	SR
Interim Condensed Consolidated Statement of Profit or Loss	
Nine-month period ended 30 September 2022 (Unaudited)	
Front Shop	3,270,374,059
Pharma	3,156,964,088
Others	50,607,559
Total	6,477,945,706
Interim Condensed Consolidated Statement of Profit or Loss	
Nine-month period ended 30 September 2021 (Unaudited)	
Front Shop	3,282,499,910
Pharma	2,787,889,463
Others	22,596,284
Total	6,092,985,657
Interim Condensed Consolidated Statement of Profit or Loss	
Three-month period ended 30 September 2022 (Unaudited)	
Front Shop	1,114,545,798
Pharma	1,026,613,058
Others	17,823,673
Total	2,158,982,529
Interim Condensed Consolidated Statement of Profit or Loss	
Three-month period ended 30 September 2021 (Unaudited)	
Front Shop	1,081,255,738
Pharma	950,210,034
Others	10,273,057
Total	2,041,738,829

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17. COMMITMENTS AND CONTINGENCIES

As at 30 September 2022, the Group has commitments of SR 67.5 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, letter of guarantee and commitment towards lessors.

18. COMPARATIVE FIGURES

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

Reclassification in the statement of profit or loss and other comprehensive income for the period ended 30 September 2022 is summarised below:

	<i>As previously reported SR</i>	<i>Reclassification SR</i>	<i>As currently reported SR</i>
Other operating income	14,624,078	(3,326,746)	11,297,332
Other income	-	3,326,746	3,326,746

19. 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 1 November 2022G (corresponding to 7 Rabi Al-Thani 1444H).